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INTERNATIONAL DEVELOPMENT
ZAGREB, CROATIA**

**Results Review
and Resource Request
FY 2000**

March 1998

**USAID/Croatia
Results Review, Resources Request
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USAID/Croatia Results Review and Resources Request

Part I: Overview and Factors Affecting Program Performance

A. Overview

With an annual per capita GNP of more than \$4,000 and a relatively advanced level of economic development, Croatia would seem an unlikely candidate for foreign assistance under the Support for Eastern European Democracy (SEED) Act. Given the financial, human and natural resources already at its disposal, Croatia should be a prime candidate among transitional Central and Eastern European (CEE) countries for “graduation” from SEED-funded assistance and inclusion in European and Trans-Atlantic integration. The reality, however, is that Croatia is far from meeting the criteria for “graduation” and is not currently viewed among even the second tier of transitional countries under consideration for further integration with the West. Two factors have impeded Croatia's emergence from transition: the war in former Yugoslavia and the resistance of the ruling Croatian Democratic Union (HDZ) to further democratization. Without the sustained involvement of the international community, it is likely that the process of transition will remain stalled in Croatia for many years to come.

The rationale for maintaining a SEED-funded assistance program in Croatia must be viewed in the context of efforts to create conditions for a durable peace in former Yugoslavia and the importance of Croatia to long term stability in the region. In the immediate term, durable peace among the countries of former Yugoslavia is contingent on success in implementing key civilian aspects of the Dayton Peace Agreement. In this regard, the most significant unresolved issue is how to enable the 2-3 million remaining displaced persons (DPs) and refugees throughout the region to return to communities of origin and live under conditions of security. Without Croatia's cooperation, the regional problem of DPs and refugees cannot be resolved equitably, and unassimilated populations will remain a source of instability and potential violence for the foreseeable future. Over the longer term, regional stability is contingent on establishing in each of the countries of former Yugoslavia open democratic societies based on the rule of law and market economics. Unless democratization takes root throughout the region, it is unlikely that the violent cycle of authoritarian nationalism will ever be broken.

Implementation of Dayton and support for democratization in Croatia are wholly consistent with the goal of the SEED program to accelerate the process of democratic and economic transition in Central and Eastern Europe. Given the importance of stability in former Yugoslavia to US national security and foreign policy interests, the USAID program in Croatia should be counted among the highest funding priorities in allocating SEED resources.

B. Factors Affecting Performance

Since 1995, USAID's two primary objectives in Croatia have been to support peaceful reintegration of war-affected populations and encourage the development of a more open democratic society based on the rule of law and a high standard of human and civil rights protection. Support for economic restructuring, while still necessary and important, is a lower priority for USAID due to Croatia's relatively advanced level of economic development and

generally good prospects for sustained long-term growth.

Over the past 12-24 months, progress in achieving USAID's objectives in Croatia has been satisfactory. This assessment reflects a combination of mixed progress towards implementation of key aspects of the Basic Agreement on the Region of Eastern Slavonia, Baranja, and Western Sermium, *a.k.a.* the Erdut Agreement; inadequate progress towards democratization; and satisfactory performance in the area of economic restructuring. Progress in achieving specific strategic objectives is discussed in detail in Part II below.

The principal factor affecting both the content and the performance of the US assistance program in Croatia is the failure of the Government of Croatia (GOC) to honor commitments made under international agreements and to implement meaningful democratic reform. GOC intransigence on issues related to evenhanded treatment of all war-affected populations has prevented displaced persons and refugees from Croatia to return permanently to communities of origin. Similarly, the HDZ's ambivalent and at times openly hostile attitude towards fundamental democratic and human rights principles has severely handicapped efforts to accelerate the process of transition to a more open democratic society. USAID support for civil society is needed primarily because the GOC is not committed to democratization. Without sustained support for civil society in Croatia, it is more likely that the GOC will succeed in its efforts to maintain authoritarian control of political and economic power. USAID support for democratization is precisely the type of "assistance" that the GOC would be more than happy to do without. Similarly, USAID support for reintegration is needed primarily because the GOC is not committed to restoring multi-ethnic society in the so-called liberated territories. USAID is needed as a catalyst for positive action that demonstrates to Croatian ethnic Serbs and others that they can in fact remain in Croatia and re-establish a normal existence for themselves and their families. Reduction of USAID support for reintegration will only increase the likelihood that the GOC will succeed in its efforts to thwart the return of non-Croat DPs and refugees to communities of origin in Croatia.

Over the past year, Croatia continued to make uneven progress in fulfilling Dayton and Erdut commitments. To its credit, GOC support for voluntary surrender of a group of suspected Bosnian Croat war criminals to the International Criminal Tribunal (ICTY), cooperation with the UN Transitional Administration for Eastern Slavonia (UNTAES) on a range of issues affecting Serb residents of Eastern Slavonia, and incremental progress on two way returns into and out of Eastern Slavonia culminated in the successful completion of the UNTAES mandate on January 15, 1998. The success of the twenty-four-month UNTAES operation was mitigated, however, by the need for intensive involvement of the international community to monitor developments and apply diplomatic pressure-- including a temporary suspension of aid from the international financial institutions -- to ensure full GOC compliance with both the letter and spirit of the Basic Agreement.

Although UNTAES has officially transferred authority over Eastern Slavonia to Croatia, implementation of the Basic Agreement and reintegration of all affected populations is far from complete. There remains a total of approximately 600,000 people directly affected by GOC policies on return who have yet to have their cases definitively resolved within the terms of the Erdut Agreement. This number includes some 100,000 displaced Croats from Eastern Slavonia,

100,000 Croatian Serbs in eastern Slavonia (of which 40,000 are displaced from other parts of Croatia), 350,000 Croatian Serbs who fled the country between 1991 and 1995, and an additional 50,000 Bosnian Croats now residing in Croatia. For this group, Article 9 of the Erdut Agreement is the crux of the issue. The article states, "The right to return, to recover property, to receive compensation for non-recoverable property and to receive assistance in reconstruction of damaged property shall be equally available to all Croatian citizens and persons eligible for Croatian citizenship without regard to ethnicity." Given the interconnectedness of the problem of DPs and refugees among the countries of former Yugoslavia, full implementation in Croatia of this aspect of the Erdut agreement is an essential element for achieving a comprehensive regional solution.

Resolving the regional log jam of displaced persons and refugees in former Yugoslavia will require a coordinated and aggressive regional approach to force all the parties involved, including Croatia, Republika Serpska (RS), the Bosnian Federation, and the Federal Republic of Yugoslavia (FRY) to act on their Dayton commitments. Without simultaneous movement both in Croatia and Bosnia, gridlock will prevail throughout the region and opportunities for restoring stable multi-ethnic societies will vanish. The country team's analysis is that through a combination of sustained diplomatic pressure and effective use of assistance funds, the return process can be set in motion in Croatia despite GOC resistance. Over the past six months, approximately 15,000 displaced persons of different ethnic identities have been able to return to their communities of origin in Croatia. This is impressive incremental progress in the context of the rest of former Yugoslavia, but still woefully inadequate for resolving the problem within a reasonable time frame. The next six to twenty-four months is the critical period for achieving a substantial acceleration of the pace of return in Croatia and the rest of the region and for resolving all associated issues including citizenship, tenancy and property rights, and compensation. Beyond this time frame, the prospects for success will diminish rapidly if not disappear.

In Croatia, the issue of DP and refugee return is primarily a political issue and only secondarily a problem of financial resources. On the one hand, Croatia is a solid middle income country, with good prospects for sustainable growth. There is no question that Croatia through a combination of private investment, borrowing from the international financial institutions, and access to international capital markets can and should generate on its own sufficient resources to deal effectively with the problem of reconstruction and resettlement. Filling the national reconstruction resource gap (which the GOC Minister for Reconstruction and Development estimates at 2.0 billion USD) is not an appropriate or realistic role for USAID or any other donor. On the other hand, the events of the past 12-24 months have raised serious questions about the adequacy of Croatia's political will to honor its commitments, particularly as relate to the treatment of ethnic Serbs. Under the circumstances, the appropriate role of the international community is to apply diplomatic pressure to ensure that Croatia fully honors its commitments to the peace process and provide resources to support programs aimed at reassuring affected populations that their rights as elaborated under Dayton and Erdut are effectively safeguarded. The importance of USG leadership in this capacity cannot be overestimated.

Over the past two years, the U.S. country team in Croatia including USAID has been an integral part of the international effort in Croatia to enable UNTAES to implement its mandate in eastern

Slavonia and to ensure that affected populations are treated fairly during the period of transition. The departure of UNTAES from eastern Slavonia in January 1998 has caused rising levels of anxiety among non-Croat populations in Croatia and has magnified the importance of sustained US engagement until the issue of reintegration of populations is satisfactorily resolved.

Sustained USAID support for reintegration is needed in three areas: provision of legal services to affected populations, small and medium scale private enterprise development in war affected areas, and work at the local and municipal levels to create conditions conducive to actual return of DPs and refugees. USAID has already established programs in each of these three areas that are achieving meaningful results. The issue is to sustain support for established activities long enough (i.e. through December 1999) to achieve USAID's strategic objective on reintegration. USAID support for reintegration is in no way intended to reduce or offset the responsibility of the GOC to provide the financial resources needed for war reconstruction and resettlement of populations. USAID programs are instead an integral part of the country team's efforts in Croatia to force compliance with the terms of the Dayton and Erdut agreement and catalyze positive action on the ground. Progress in Croatia will create momentum for a regional solution. In Croatia, overall progress towards this objective is exceeding expectations in spite of GOC resistance, and it would be ill-advised at this halfway juncture to reduce the tools at the country team's disposal to influence government behavior.

USAID leadership in promoting democratization in Croatia follows a similar logic. Creating a more open democratic society in Croatia has little to do with the adequacy or inadequacy of financial resources, but a lot to do with the political will of the ruling party. No objective, outside observer would deny that the current government of Croatia is at best a reluctant democratic reformer and at worst an authoritarian and repressive regime bent on crushing any and all sources of political and social dissent. Outside of government circles, however, there have emerged in Croatia over the past several years impressive, important and legitimate advocates of democratic reform who merit and need outside support in order to survive and gain influence in a markedly adverse political environment. For the independent media, the non-governmental organization sector, trade unions, and opposition parties, USAID is a vital source of badly needed technical assistance, training, and financial support to maintain operations and achieve long term viability. USAID also plays an important leadership, coordination and leveraging role within the donor community in Croatia to encourage increased support for democratization and identify specific worthy recipients of assistance.

USAID's democratization program in Croatia is succeeding in spite of obstinate GOC resistance to democratic reform. GOC resistance to democratization is in fact the strongest argument in favor of sustained and even expanded USAID assistance in this area. That many within the more repressive faction of the ruling party would be delighted to see USAID and other donors reduce or even eliminate support for democratization in Croatia is perhaps the best indicator that USAID is working with exactly the right levers of change. Sometime in the next several years, Croatia will face an important generational change in political leadership when President Franjo Tudjman's final term in office comes to an end. The nature of political leadership that will emerge to take his place will be largely determined by events happening now. It is essential that USAID do all it can before this crucial juncture to nurture development of civil society

institutions and enable the more democratic elements of Croatian society to prevail in the coming struggle for power.

For the duration of USAID's presence in Croatia, two factors will be crucial to the overall success of the program. The first is the significance that both the GOC and Croatian society attach to normalization of relations with the European Union (EU) and the broader community of western democracies. Since independence, Croatia has evinced the strongest interest in dissociating itself from the Balkans and reinventing itself as an integral part of Western Europe. Croatians view integration with Europe as the key to future prosperity and international influence and respect. This keen interest in joining European and Transatlantic institutions is an important source of leverage for pressuring the GOC to improve its record and to limit the influence of hard line nationalists within the HDZ. Both the EU and the U.S. have indicated to the GOC that Croatia's participation in Western institutions is contingent on tangible progress in implementing the Dayton Agreement and in allowing broader democratization. Over the next several years, the threat of isolation will remain a powerful tool for creating opportunities for reform. The crucial unanswered question is whether the desire to join Europe is strong enough to convince the economic and political elite in Croatia-- many of whom would not otherwise accept basic European principles of democratic pluralism, media freedom, rule of law and respect for the human rights--to relinquish their monopoly on power and allow the democratic transition to a more open democratic society to proceed.

The second major factor affecting USAID performance in Croatia over the next several years is the level of resources available to support the program. Successful implementation requires sufficient financial resources and adequate time to catalyze meaningful systemic change in what is unquestionably a difficult operating environment. At current planning levels for FY 98 and FY 99, USAID will be unable to achieve its objectives towards reintegration of war-affected populations and democratization. As discussed in greater detail in the Resources Request section of this report, a total of \$38.0 million in FY 98 and FY 99 is the minimum required to sustain current activities long enough for them to achieve planned results. This constitutes an increase of \$9.0 million above current planning levels for the two-year period, but is consistent with past year analyses elaborated in this and other annual program reports. USAID's projects and activities were designed and budgeted on the basis of significantly higher planning levels provided last year for FY 98 and an understanding that USAID Croatia would receive priority consideration for higher planning levels in FY 99.

In order to sustain its program, USAID/Croatia requests an urgent reconsideration of the \$5.0 million dollar reduction in FY 98 levels and a review of planning levels for FY 99. Funding at current planning levels will require a premature phase out of USAID support for reintegration of war affected populations. As discussed below, this could have serious negative implications on efforts to create conditions for durable peace and stability among the countries of former Yugoslavia. The country team's view is that a fully funded USAID program in Croatia is a small but worthy investment toward long term peace and stability in a region that has long been characterized by neither.

II. Progress Towards Achievement of Strategic Objectives

The USAID strategic plan for Croatia through fiscal year 1999 was approved in January 1997 and revised in July 1997. The revised plan encompasses three strategic objectives:

- (SO1) Reintegration of populations affected by the Erdut Agreement;
- (SO 2) More competitive market-responsive, private financial sector, and
- (SO 3) Increased, better-informed citizens' participation in political processes.

Progress over the past year towards achieving these strategic objectives is summarized in the table below. Per Agency guidance, progress in achieving agreed intermediate and final results has been assessed as exceeding, meeting, or not meeting expectations. Numerical scores on a scale of 1 to 3 have been assigned on the basis of past year performance, USAID/Croatia analysis of longer term prospects for success, and other factors including the importance of the objective to US national interests and foreign policy priorities.

SO 1 received a rating of 3.0 based on a combination of above average performance, good longer term prospects for overall success, and linkage to high U.S. national and foreign policy interests. SO 2 received a score of 2.0 based on good performance. SO 3 received a score of 2.5 based on a combination of good performance in achieving intermediate results, reasonable longer term prospects for ultimate success, and linkage to high US national and foreign policy interests in Croatia and the region.

USAID/Croatia Performance Summary Table

Objective Name	Rating	Evaluation findings
SO 1: Reintegration of Populations Affected by the Erdut Agreement	Exceeding (3.0)	Refocus Equity Finance program more directly on war-affected regions; develop plan for encouraging local governments to facilitate actual returns; expand legal services program to other areas (Western Slavonia, Krajina)
SO 2: More competitive, market responsive private financial sector	Meeting (2.0)	Shift TA from Bank Rehabilitation Agency to largest affected bank; develop new capital markets initiative to support broader-based participation in benefits of restructuring.
SO 3: Increased, better-informed citizens' participation in political process	Meeting (2.5)	Implement civil society democratization strategy with emphasis on independent media, NGOs, trade unions, and political parties.
Percent funding through NGOs and PVOs: FY 98 <u>86 %</u> ; FY 99 <u>96%</u> ; FY 00 <u>86%</u>		

S.O. 1 - Reintegration of populations affected by the Erdut Agreement

1. Overall Rating and Assessment of Progress towards the Strategic Objective

Over the past year, progress towards achievement of this SO continued to exceed expectations. USAID/Croatia gives this SO a rating of 3.0 based on a combination of (1) good past year performance, (2) performance trends indicating good prospects for achieving the objective within the established time frame, and (3) linkage of the SO to highest priority US national interests and foreign policy objectives.

USAID/Croatia's assessment of past year progress reflects the contribution of this SO to the successful completion of the UNTAES mandate in January 1998, the continued stability of affected populations in Eastern Slavonia -- notably the lack of large scale departures from the region (see Performance Table 1.1) leading up to and following the end of the UNTAES mandate, marginal improvements in protection of human and civil rights of affected populations (see Performance Table 1.4), and progress towards resettling displaced persons (see Performance Table 1.2).

Assessment of the performance trend is based on success of efforts to maintain resident populations in place in eastern Slavonia and incremental progress over the past several months in facilitating the two-way return of affected populations into and out of eastern Slavonia. While departures from the former UNTAES area to Bosnia, Serbia and elsewhere continued over the past year, they have remained limited in scale and fewer in number than anticipated. At the same time, a total of approximately 3,000 thousand displaced persons (mostly Croats) have been able to return to Eastern Slavonia and approximately 10,000 DPs (mostly Croatian Serbs) have returned from or through Eastern Slavonia to communities of origin in other parts of Croatia.

One of the highest priorities of the US Strategic Plan for International Affairs (SPIA) is to ensure that local and regional instabilities do not threaten the security and well being of the US and its allies. The USG brokered the Dayton and Erdut Agreements to bring an end to the conflict in former Yugoslavia and bring stability to the region. Durable peace and long term stability will not be attained until all citizens of Croatia and Bosnia Herzegovina are able to exercise their right to return to homes of origin.

2. Performance Analysis

USAID support under this SO is directed towards three intermediate results: (IR 1.1) development of the small and medium scale private enterprise sector in war-affected regions; (IR 1.2) monitoring and protection of human and civil rights; and (IR 1.3) return and resettlement of displaced populations in communities of origin in Croatia. USAID has modified the wording of IR 1.1 to reflect more accurately current activities. USAID also proposes a modification of IR 1.3 to reflect a shift in emphasis from sustaining displaced populations in place to support for actual return and resettlement of affected populations to communities of origin.

IR 1.1: Small and medium scale private enterprise sector developed in war-affected regions

USAID supports small and medium scale private enterprise (SME) development in Croatia to generate sustainable employment needed to assist war-affected populations to resettle permanently and reestablish their livelihoods. Over the past two years, USAID's support has been concentrated in the Croatian Danubian region including eastern and western Slavonia. If sufficient resources become available, USAID will expand the scope of its SME activities to include the former Krajina.

The SME portfolio comprises five specific activities: a Business Registration Project implemented by America's Development Foundation (ADF); a private sector development project managed by the University of Delaware; a micro-loan program managed by Opportunity International (OI); an equity finance project managed by the Small Enterprise Assistance Fund (SEAF); and a business training program managed by World Learning. The purpose of these programs is to provide small businesses in war-affected areas with access to the credit, capital, technical assistance, and training to enable them to develop and expand.

Over the past twelve months, the Business Registration Project has assisted over 300 limited liability companies and some 600 sole proprietorships operating in eastern and western Slavonia to meet legal and administrative requirements to register as Croatian businesses. This number includes several hundred businesses held by displaced persons from eastern Slavonia who intend to re-establish their operations upon return to the former UNTAES area. The results achieved have already substantially exceeded the original target of 300 businesses registered. Firms registered under the project are expected to generate approximately \$14.0 million in annual revenues and support approximately 3,500 jobs in the region.

The Firm Level Assistance Group (FLAG) coordinated by the University of Delaware provides technical assistance and training to private enterprises and business associations in the Slavonia region and conducts analyses of key policy, legal and regulatory constraints to private enterprise development. During its first year of operation, FLAG surveyed several hundred companies (most of which were drawn from the universe of firms registered under the Business Registration Project) and conducted diagnostics on over 75 companies. In addition, FLAG has conducted a series of seminars on doing business in Croatia covering issues such as taxation and the mechanics of receiving payments through the Croatian payment system (ZAP). Over the next twelve months, FLAG will provide TA and other direct support to businesses selected through the diagnostic process. Clients will generate additional jobs and revenues and contribute to long term stability in war-affected areas. FLAG has submitted a proposal for expanding its operations into former UN Sectors North and South (including the so-called Krajina area). USAID is supportive of the plan, but will be unable to support an expansion unless current program funding levels are increased.

Opportunity International (OI) in partnership with a local credit cooperative, NOA, has been operating out of Osijek since November, 1996 to provide loans averaging between \$5,000 and \$10,000 to small private enterprises. As of February, 1998, NOA had disbursed approximately 300 loans totaling \$2,000,000 to over 200 companies including 40 small business start-ups.

Approximately 50% of the approved loans went to enterprises in the former UNTAES region of Eastern Slavonia, 35% to residents of other parts of Slavonia, and 15% to DPs in surrounding areas. With a total of only three loans in default, NOA has maintained a remarkable success rate despite the difficult operating conditions in Slavonia. Over the first 18 months of operation, the pace of loan disbursements has been higher than anticipated, and the program will require additional funding to continue to meet demand for small credit in the Slavonia region. NOA has recently received \$200,000 from the Soros Foundation and is actively pursuing support from other donors including the EU which is considering a grant of up to 1.0 million ECU. USAID would consider providing some additional funding to OI if its SEED funding level is increased to the requested level.

The SEAF project was designed to complement the micro-loan program by providing equity investments averaging around \$150,000 to medium-scale private enterprises. SEAF is authorized to operate throughout Croatia, but is formally committed to putting special emphasis on Slavonia. SEAF is on schedule to meet its first year target of six investments and has an additional 18 new investments under consideration in its project pipeline. Despite satisfactory implementation progress, SEAF has been slow in identifying investment opportunities in the Slavonia region. In February 1998, USAID completed an evaluation of the SEAF project, the conclusion of which was that SEAF should relocate some key staff to Osijek and intensify efforts in the Slavonia region to increase impact among war-affected populations. USAID will re-evaluate the program in 6- 12 months to assess the effectiveness of corrective actions.

The Entrepreneurial Management and Executive Development (EMED) program is closely linked with the FLAG program to support training and exchange programs for private enterprise holders in Slavonia and other war-affected areas. To date, EMED has supported 23 participants from war-affected areas, including 21 from Slavonia. Over the next 12 months EMED, will support an additional 30 participants, selection of whom will be made in coordination with FLAG as part of its assistance program for private enterprise development.

IR 1.2: Human and civil rights monitored and protected

Incidents of gross human rights violations against returning or remaining populations in war-affected areas in Croatia remained limited in number over the past twelve months. Sustained progress in this area was noted in the 1997 State Department report on Human Rights in Croatia and in reports from other international organization and non-governmental organizations (See Performance Table 1.4). In eastern Slavonia, UNTAES deserves credit for its effectiveness in ensuring the personal security of populations under its administration. In other parts of Croatia, the presence of international and local organizations (including those supported by USAID) and improved local policing helped to keep violent incidents to a minimum.

As DPs from eastern Slavonia and elsewhere seek to return to their communities of origin in other parts of Croatia, protection of civil rights, particularly assurance of fair and even-handed treatment of all affected populations under the law, will be the key to further progress on reintegration. Discrimination against non-Croat populations in allocation of public reconstruction

resources, promulgation of decrees on property and tenancy rights which favor ethnic Croats over others, and the difficulties encountered by non-Croats in obtaining court judgements on a range of other reintegration issues are of particular concern. Sustained engagement by the international community is needed over the next 12-24 months to resolve these issues satisfactorily. The US country team, including USAID, works closely with the OSCE, the UNHCR, the Office of the UN Secretary General, the European Union, and others to identify priority issues and engage the Croatian authorities to fulfill their commitment to equitable treatment of all its citizens.

USAID support for human and civil rights protection is aimed at ensuring that all displaced populations have adequate access to Croatian legal and administrative systems to enable them to return to communities of origin. Since 1995, America's Development Foundation (ADF) has been USAID's primary partner in supporting civil and human rights protection for war-affected populations in Croatia. Under the joint funded USAID-Norway Civil Right Project, ADF, in cooperation with a civil rights lawyer provided through the American Bar Association (ABA/CEELI) project, assisted in the process of enabling over 240,000 undocumented residents of the former UNTAES area to obtain Croatian citizenship papers. These results exceeded expectations and were instrumental to the overall success of the UNTAES operation. Assisting DPs to obtain citizenship was an essential first step in the process of reintegration as citizenship constitutes the basis from which virtually all other civil rights flow.

ADF is in an excellent position to provide follow-on support to affected populations as they seek to return to homes of origin in other parts of Croatia. Under the Reintegration of Populations component of its program, ADF has established and sustained a network of local NGOs in eastern and western Slavonia and other parts of Croatia to conduct basic human rights monitoring and provide legal services and advice to affected populations on issues including property rights, compensation for lost property, tenancy rights, access to state health and pension benefits, taxation, and citizenship. In a typical month this network of offices provides assistance to up to 500 clients. Over the past year, several thousand people have benefitted directly from these services. ADF is now in the process of expanding its network of legal services offices managed by local NGOs to former UN sectors north and south including offices in the Krajina region. Over the next six months ADF will add five new offices operated by the Serbian Democratic Forum in Sector North, several new offices operated by the Dalmatian Solidarity Council in former Sector South, and will work with other local NGOs to establish additional offices in Slavonia. As populations return to these areas, ADF and its local partners will be a key source of advice and information.

IR 1.3 Displaced persons return to communities of origin

USAID proposes a modification to this intermediate result (previously Increased Problem Solving by Civil Society) to reflect the change in focus from sustaining populations in place in eastern Slavonia to pro-active support for creating conditions conducive to return of populations to communities of origin. In January 1998, USAID/Croatia entered into a new agreement with the International Organization for Migration (IOM) to implement a Return Assistance Program (RAP)

in Croatia. The program will work with up to 16 municipalities in Croatia where substantial numbers of returns are expected to occur. To be eligible to participate, municipalities must agree to develop and implement effective strategies for creating conditions conducive to actual return and resettlement of war-affected populations. Specific return targets and time frames for each municipality will be established in consultation with other community leaders, including representatives of displaced persons and non-governmental organizations. Assistance under the project will be provided in the form of a package of support which may include small scale infrastructure, community development, and direct support for returning populations. Delivery of assistance and implementation of agreed projects will be linked directly to performance in meeting agreed return targets for each participating municipality. Over a two year period, the IOM/RAP project will assist a total of 30,000 DPs to resettle permanently in Croatia.

The new RAP program will build on the success of the USAID-UNTAES Village Democracy Project in eastern Slavonia under which approximately 50 small scale infrastructure projects were undertaken during the period of transition. Projects included repair of community centers, schools, dispensaries, electric grids, water systems and other community development projects. While resources provided were insignificant in the context of the huge reconstruction needs of eastern Slavonia, the USAID-UNTAES village democracy project successfully contributed to social stability in the region by encouraging resident populations to maintain a stake in their communities and by reassuring them of the commitment of the international community and others to re-create normal living conditions.

Over the past year, USAID has shifted the focus of the Urban Institute project in Croatia to support more directly the reintegration process. Urban Institute has relocated its principal office to Vukovar and has provided a long term advisor to the Joint Council of Municipalities (JCM). The JCM was established by the Erdut agreement to represent Serb interests to the GOC and the international community.

III. Expected Progress Through FY 2000 and Management Actions

USAID's strategic plan for Croatia established a four year (FY 1996-99) time frame for successful achievement of this SO. The plan projected that by the end of 1999, 90% of all displaced persons in Croatia would be permanently resettled, and adequate social stability would be achieved in eastern Slavonia and other war-affected areas to allow for the closeout of USAID reintegration activities. While substantial progress has already been achieved, the process of reintegration is far from complete. There remain at least 600,000 people inside and outside Croatia directly affected by GOC policies on return and resettlement. USAID/Croatia's analysis is that the next 12 to 24 months are the make-or-break period for accelerating the pace of two way returns and for bringing the process of reintegration to a satisfactory conclusion.

As a middle income country with good prospects for sustainable growth, it is true that Croatia can and should generate on its own the bulk of resources needed for rebuilding and reconstructing war damaged housing and infrastructure. It is also true, however, that left on its own to deal with the problem, the GOC will not treat all war-affected populations fairly. The

events of the past two years have demonstrated that the international community is indispensable both to sustain affected populations until they are able to resettle permanently in communities of origin and to force GOC compliance with the letter and spirit of the Dayton and Erdut agreements. Unless funding levels for FY 98 and 99 are increased above current planning levels, USAID will be unable to sustain existing reintegration activities. These programs are needed to re-create the fact of multi-ethnic society on the ground in Croatia and to add impetus to the process of return both in Croatia and the region. Given the importance of this issue to long term stability, progress in Croatia may actually hold the key to successfully ending the NATO Stabilization Force (SFOR) mission and proceeding with the withdrawal of US and other NATO peacekeeping troops from the region. Under the circumstances, now is decidedly not the time to economize and diminish USAID's capacity to serve as a leader and catalyst for reintegration and democratization in Croatia.

It must be noted that project design and implementation related to reintegration were based on a substantially higher FY 98 planning level of \$24.0 million and agreement with the ENI Bureau during last year's program review cycle that USAID/Croatia would receive priority consideration for increased funding in FY 99 based on results achieved and assessment of circumstances related to implementation of Dayton. Following formal approval of last year's R(4) in August 1997, USAID/Croatia completed design and execution of a two year \$13.5 million agreement with IOM to support return of approximately 30,000 DPs throughout Croatia. In addition, USAID negotiated an expansion of ADF's legal services project to cover other war-affected areas in Croatia where substantial returns are expected. USAID also began discussions with Opportunity International and FLAG about possible extension of their activities to other war-affected populations to facilitate an acceleration of the pace of returns in Croatia.

USAID/Croatia was advised in November 1998 that FY 98 funding levels for Croatia had been reduced by \$5.0 million and that FY 99 planning levels may not be raised to offset the overall reduction. USAID/Croatia, with strong support from the Embassy, has twice requested an urgent reconsideration of funding levels for the two year period. The US country team in Croatia led by the Ambassador has made a determination that within reduced funding levels, long term support for democratization must take precedence over critical short-term reintegration activities. The bottom line is that unless planning levels for FY 98 and 99 are revised upwards, USAID will be unable to sustain its existing portfolio of reintegration activities as planned for the next twenty four months.

More specifically, at current FY 98 and 99 funding levels, USAID/Croatia would be forced to forego the second year of the IOM Return Assistance Program and prematurely terminate all economic revitalization activities for war-affected populations. USAID would also need to reassess support for the ADF legal services program, including the planned expansion into the Krajina. Given the magnitude of USG investment in the non-military aspects of the regional peace process alone -- now into the billions of dollars including USAID support in Bosnia and Serbia, the 25% USG contribution to the UNTAES and other peace keeping missions in the region, and continued US funding for UNHCR, OSCE and other international organizations in the region-- it seems incomprehensible to be contemplating a premature scale-down of USAID's role in Croatia, the cost of which is minuscule from any reasonable perspective.

While it is difficult to predict exactly what the direct impact of such a cut-back in support would be, it is certain that a severely diminished USAID role in the reintegration process in Croatia will hurt overall chances of resolving the problem of resettling all DPs and refugees in the region including Croatia, Bosnia and the Federal Republic of Yugoslavia. A diminished USAID will also weaken the role and influence of other international organizations, including the OSCE, UNHCR, and the Office of the UN Secretary General, with whom USAID has been closely coordinating its efforts.

If the motivation behind a SEED budget reduction for Croatia is to punish the GOC for unsatisfactory performance on Dayton and democratization, the effect will be exactly the opposite. A cut in USAID's programs in Croatia will only diminish the capacity of the international community to monitor GOC compliance and provide support to those most negatively affected by unfair GOC policies. Results obtained over the past two years have demonstrated USAID/Croatia's effectiveness in using relatively small amounts of money to support achievement of Dayton and Erdut objectives. The country team's view is that the real pay-off for all its efforts over the past several years is still to come in the form of large scale returns of populations to communities of origin in Croatia and throughout the region between now and the end of 1999. It would be regrettable not to allow adequate time and resources to see that process through to a successful conclusion. More importantly, without adequate funding, the two interwoven objectives of restoring multi-ethnic society and promoting an open democracy in Croatia would not be achieved.

Table 1.1: Populations Remaining in eastern Slavonia

OBJECTIVE: S.O. #1 (ENI 3.1) Reintegration of populations affected by ERDUT Agreement APPROVED: 01/97 COUNTRY/ORGANIZATION: Croatia			
RESULT NAME: Reintegration of populations affected by ERDUT Agreement			
INDICATOR: Residents of eastern Slavonia who remain in Croatia			
UNIT OF MEASURE: Percent	YEAR	PLAN	ACTUAL
SOURCE: UNTAES, UNHCR, ODPR (GoC)	1996	90%	93.5% ¹
INDICATOR DESCRIPTION: Percent of Resident population with legitimate claim to Croatian citizenship	1997	70%	100+%
COMMENTS: ¹ Resident population is estimated at 150,000, including 30,000 refugees from FRY or RSK/B-H. However over 240,000 citizenship documents were issued by the end of 1997. Many former residents of Croatsians who fled to Serbia also obtained the necessary documentation to claim Croatian citizenship.	1998		
	1999		

Table 1.2: Displaced Persons Resettled

OBJECTIVE: S.O. #1 (ENI 3.1) Reintegration of populations affected by ERDUT Agreement APPROVED: 01/97 COUNTRY/ORGANIZATION: Croatia			
RESULT NAME: Reintegration of populations affected by ERDUT Agreement			
INDICATOR: Displaced Persons (DPs) in Croatia permanently resettled.			
UNIT OF MEASURE: Percent	YEAR	PLAN	ACTUAL
SOURCE: UNHCR and ODPR (Gov. Of Croatia)	1996	10% (24,000)	17.5% (42,000)
INDICATOR DESCRIPTION: DPs are Croatians unable to return to their homes. COMMENTS: Baseline in 1995 is 240,000 displaced. In 1997 there were an estimated 15,000 DPs in Croatia permanently resettled (5,000 to E. Slavonia and 10,000 to other parts of Croatia.)	1997	30% (64,800)	24% (57,000)
	1998	60%	
	1999	90%	

Table 1.3 Applications for Citizenship from Current Residents of E. Slavonia

OBJECTIVE: #1 (ENI 3.1) Reintegration of populations affected by ERDUT Agreement APPROVED: 01/97 COUNTRY/ORGANIZATION: Croatia			
RESULT NAME: 1.2.2 Access to legal and administrative systems broadened.			
INDICATOR: Current residents of E. Slavonia apply for citizenship			
UNIT OF MEASURE: Cumulative Number of people	YEAR	PLAN	ACTUAL
SOURCE: UNTAES/GoC Min. of Interior	1996	25,000	32,176
INDICATOR DESCRIPTION: Residents of eastern Slavonia who apply for citizenship. COMMENTS: ¹ Cumulative total of applicants. Indicator presentation has been changed to cumulative number of applicants from previous rate per annum. Targets have remained the same. (184,561 applications to Min. of Administration and 55,471 to Ministry of Interior of persons not born in Croatia.)	1997	85,000	240,032 ¹

Table 1.4 Qualitative Assessment of Human and Civil Rights Protection

Indicator: U.S. Embassy Assessment of Human Rights in Croatia
Baseline: 1996 (poor but improved from previous year)
1997 Plan: Better
1997 Actual: Better (Marginal Improvement)

Narrative Highlights from the State Department Human Rights Reports for 1997.

Same in 1997 as previous year (i.e. 1996)

- Overall human rights record remained poor.
- Abuses toward ethnic Serbs from reclaimed areas continued.
- Military and police forces responsible for forced evictions.
- Bosnian Croat refugees evicting ethnic Serbs.
- Ethnic Serbs denied right to return to places of origin in Croatia.
- Government slow in reestablishing civil authority in liberated areas.
- No reports of political or other extrajudicial killings.
- Serbian orthodox church in Zagreb and in other cities remained open.

Better in 1997 than previous year

- Fewer reported incidents of murders, looting and threats to ethnic Serbs.
- Protocols with Croatia-FRY relations continued to be developed with a "soft-border" regimes established and plans for FRY consulates in E. Slavonia finalized.
- OSCE expanding monitoring mission throughout Croatia to monitor human rights situation.
- Ratification of the European convention of Human Rights by the GoC.
- Noticeable acceleration in the return of Internally Displaced Serbs (even though total number is still small) with the establishment of the Joint Working Group (GoC, UNHCR, UNTAES).
- Passage of law allowing for primary education in minority languages.
- Courts annulled some of the more discriminatory parts of the law of "temporary takeover".
- Croatia facilitated the handover of suspected Bosnian-Croat war criminals to Hague Tribunal.
- Successful reintegration of Eastern Slavonia judicial system and police.
- Release of all but one Bosnian prisoner of war.
- Establishment of a National Committee for the Realization of the Trust Establishment Program, Accelerated Return and Normalization of Life in War Affected Areas of Croatia.
- Establishment of the Property Agency to purchase homes of those not wishing to return.
- Documentation Centers established in eastern Slavonia in December 1997 to issue Croatian citizenship documents to resident populations issued citizenship documents, identity cards, passports in large numbers and facilitated the issuance of Croatian auto license plates, auto liability insurance, pensions and health insurance cards.
- Law on Convalidation of Documents passed but not universally enforced throughout Croatia.
- Five deputy ministers positions awarded to ethnic Serbs from Croatia
- Two Serb representatives were allocated places in Parliament.

Worse in 1997 than previous year

- Serbs from Croatia now living in FRY or RS B-H have no recognized procedures for obtaining Croatian citizenship documents
- Estimated 55,000 Bosnian Croats occupy Serb houses in Croatia.
- No group return of Serbs to Croatia.
- Some incidents of mines and explosive booby traps used to terrorize returnees and remainees.
- Bosnian Croats rampaged and committed abusive acts against returnees in Hrvatska Kostjrnica
- Incidents against Orthodox churches and Orthodox and Jewish cemeteries occurred.
- Discrimination in employment, economic and reconstruction assistance noted.
- Virtually no prosecution of cases which violated the rights of the Serb minority.

S.O. 2: More competitive, market-responsive private financial sector

I. Overall Rating and Assessment of Progress Towards the Strategic Objective.

Progress towards achievement of this SO is meeting expectations. USAID/Croatia gives this SO a rating of 2.0. This assessment reflects satisfactory progress in meeting targets set for the main indicators. For the second consecutive year, interest rates fell substantially (see Performance Table 2.1) and the percent of banking assets held in private banks continued to rise (although final data for the year is not yet available). While progress on a third main indicator “Debt securities bought voluntarily on domestic market” did not meet the target, this was the result of a deliberate GOC decision to forego a second planned eurokuna domestic market issue and the early termination of the Treasury Department advisory program in Croatia due to suspension of USAID economic restructuring assistance from July to November 1997.

II. Performance Analysis

Under this SO, USAID supports a limited program of technical assistance and training directed at two intermediate results: (IR 2.1) establishment of viable, transparent financial institutions and (IR 2.2) expansion of capital markets. The principal goal under each of these IRs is to develop an effective and enforceable legal and regulatory framework to support development of transparent, reliable, and participatory financial markets.

IR 2.1 Viable, transparent financial institutions developed

Over the past year, progress under the main financial indicators for this IR again exceeded targets. Household deposits in the banking system increased to 32% of GDP (see Performance Table 2.2) and the ratio of outstanding bank loans to GDP increased to 39%. These results reflect increased investor confidence in the Croatian banking system and the general strengthening of the economy. Increased returns on assets of the banking industry was further indication of a more efficient, better-functioning banking sector.

USAID's primary activity under this IR is a banking sector reform program managed by the KPMG/Barents Group. Barents provides two long-term resident advisors and short-term TA on bank rehabilitation and bank supervision. Despite continued success in meeting financial targets, progress under this SO was mitigated by the reluctance of key implementing partners to implement recommended reforms and increase transparency in the formal financial sector. Of particular, lingering concern is the need to improve bank reporting as the first step toward dealing more effectively with the accumulated problems and debts of the largest state owned regional banks in Croatia. Until the GOC fully accepts the principle of full disclosure, the overall stability of the Croatian banking system will remain an unknown quantity. Progress under the banking sector reform project was also negatively affected by the decision to suspend all bilateral activities under this SO for a period of four months from July 1997. The decision to suspend support was based on inadequate performance by the GOC in meeting its Dayton and Erdut

obligations.

Over the past year, KPMG continued to make progress towards building the capacity of the bank supervision unit at the National Bank of Croatia (NBC) through provision of specialized TA and in-country training. Notable results delivered include completion of the official manual for on-site supervision of all banks in Croatia and development of a new uniform off-site bank reporting system maintained at the National Bank. Good progress in capacity building was not matched, however, by effective utilization of capacity. Reluctance on the part of NBC to authorize trained bank supervisors to undertake supervisions and act on information developed has impeded implementation of the plan to conduct regular, periodic reviews of all banks in Croatia.

The situation at the Bank Rehabilitation Agency (BRA) is similar to that within the bank supervision unit. Good progress has been achieved in building technical capacity and developing effective procedures for the BRA to proceed with rehabilitation and privatization of state-owned banks. BRA has placed four of the largest problem banks into the program and has begun transferring non-performing assets to its account for resolution. Over the past year, USAID funded TA has assisted in developing resolution plans for bad assets, continued to train staff, developed procedures for the asset work-out office, and advised on the need for re-classification of marginal bank assets. Overall progress has been impeded, however, by reluctance on the part of key managers and partners in the process to take the bold and resolute action needed to deal effectively with the problem.

During the period of suspension of its financial sector support activities, USAID reassessed its approach to bank rehabilitation in Croatia and made a determination to shift TA from the BRA to the Privredna Banka Zagreb (PBZ). PBZ is the largest of the regional state owned banks in the rehabilitation program and accounts for the major share of bad debts accumulated during the period when banks served as credit institutions for state-owned enterprises in former Yugoslavia. PBZ also has a huge private depositor base and, as such, exerts a major influence on the overall stability of the financial sector in Croatia. USAID's decision to shift the advisor to PBZ was based on analysis that success in rehabilitating PBZ will be the primary determinant of the overall success of the bank rehabilitation and restructuring process in Croatia. Furthermore, in discussion with USAID, PBZ management indicated far more openness to outside advice and a stronger commitment to undertake necessary reforms than counterparts at the BRA.

Progress towards improving the legal framework under this IR was mixed. Although a new bankruptcy law has been passed, actual implementation and application of the law remains at a standstill. Although USAID has provided short-term training to attorneys and trustees to increase understanding of the law and facilitate its implementation, the absence of a clear commitment by responsible GOC official to use and enforce the law has resulted in little or no progress in processing actual cases.

IR. 2.2 Capital Markets Expanded

Over the past year, progress under this IR was satisfactory. Although some of the specific targets were not achieved, the differences between actual and planned results were small, and there were extenuating circumstances to explain the differences. The Treasury Department Advisor departed definitively from Croatia in August 1997 after achieving excellent progress toward development of the domestic securities market in Croatia. More than 50 successful T-Bill auctions have been conducted to date, medium term debt financing instruments have been issued, and progress exceeding expectations achieved towards domestic financing of the fiscal deficit. For the year ending December 1997, the total volume of government securities outstanding and the volume of medium term kuna bonds issued were lower than previously predicted; however, the shortfalls were more the result of deliberate decisions to forego new issuances and less an indication of weakness or poor performance of the market. The target number of six companies officially listing securities on the Zagreb Stock Exchange would have been reached if two companies previously listed had not lost their eligibility for the first tier (see Performance Table 2.3).

Progress towards improvement of the legal regulatory framework (IR 2.2.1) and strengthening of institutional capacity to support capital markets development (IR 2.2.2) is meeting expectations. The legal framework for capital markets development has been strengthened through passage of the Public Debt and Fiscal Responsibility Law to regulate issuance of direct public debt and ensure long term stability of public financing. The Croatian Securities and Exchange Commission (CROSEC) was formally established in 1997 and with support from USAID has begun issuing regulations to oversee market development. Although, the Central Depository Agency (SDA) is not yet functional, progress has been made over the past six months towards implementing the strategic plan developed with USAID support. SDA is in the process of buying and installing equipment and hiring and training staff. The Agency should be operational by the end of the 1998. As is the case with the banking sector, Croatia has made good progress over the past several years towards establishing on paper a good legal and regulatory framework for capital markets development to proceed. The question is whether the government and other public officials will follow through on effective implementation and enforcement of new laws and regulations.

III. Expected Progress Through FY 2000 and Management Actions

USAID intends to phase out funding for activities under this SO in FY 98, with the possible exceptions of continued support for the Financial Services Volunteer Corps and commercial law development activities under cross-cutting initiatives. Over the next 12 months, USAID will proceed with an orderly close out of the banking sector reform project. The bank supervision advisor at the National Bank is scheduled to depart Croatia in mid-1998 and the bank rehabilitation advisor at the end of 1998. USAID will continue to support short term TA and training to the supervision unit at the National Bank through the end of the year to link on-site and off-site bank supervision functions and to assist development of output reports on all banks in Croatia.

In the area of capital markets development, USAID-funded activities to strengthen the institutional capacity of CROSEC and improve transparency and efficiency in the sale and transfer of securities will continue through the end of 1998. Over the next 6-12 months USAID will continue to work with the Over-the-Counter Market (OTC) to establish a transparent regulatory framework, make improvements to its trading system, and develop a business strategy for encouraging more listings of small and medium scale private enterprises on the OTC. USAID will also provide short term TA and training to key capital markets institutions (SDA and ZSE) under existing projects.

USAID expects that by the end of calendar year 1999, all or most of the planned results under this SO will have been achieved. Under the banking sector reform component, both the bank supervision unit of the National Bank and the BRA will have adequate technical capacity and other tools at their disposal to carry out their supervision and restructuring responsibilities. At PBZ, irreversible progress will have been achieved towards implementation of the plan for transferring non-performing assets and proceeding with rehabilitation and eventual privatization.

Through FY 00 and beyond, USAID expects that current and future IMF and IBRD programs in Croatia will utilize and build upon the ground work laid under this SO. If properly utilized, both the BRA and the bank supervision unit will be essential elements of an effective regulatory framework to ensure the safeness and soundness of the formal banking sector and sustain investor confidence in the Croatian banking sector. A sound private financial sector is a necessary foundation for long term private sector led growth. The only uncertain variable going forward is the political will and determination of government and other public officials to encourage full transparency and disclosure and to allow legal and regulatory bodies full authority to carry out their responsibilities.

Performance Table 2.1: Interest Rate Spread

OBJECTIVE: SO2: More competitive, market-responsive private financial sector			
APPROVED: 01/97 COUNTRY/ORGANIZATION: Croatia			
RESULT NAME: More competitive, market-responsive financial sector.			
INDICATOR: Interest rate spread between deposits and loans			
UNIT OF MEASURE: Percent	YEAR	PLANNED	ACTUAL
SOURCE: Central Bank	1995	Baseline	19
INDICATOR DESCRIPTION: Weighted average of <i>Kuna</i> loan interest rate for all maturities less <i>Kuna</i> deposit rate of interest. COMMENTS: Decline in gap indicates progress towards more competitive banking sector. Figure reported for 1997 is through November 1997.	1996	15	14
	1997	14	10
	1998	12	
	1999	10	

Performance Table 2.2 Household deposits in the banking system

OBJECTIVE: SO2			
APPROVED: 01/97 COUNTRY/ORGANIZATION: Croatia			
RESULT NAME: IR 2.1.: Viable, transparent financial institutions developed			
INDICATOR: Household deposits in the banking system			
UNIT OF MEASURE: Percent	YEAR	PLANNED	ACTUAL
SOURCE: Central Bank	1995	NA	14
INDICATOR DESCRIPTION: Ratio household deposits (less frozen foreign exchange deposits) to GDP COMMENTS: Increase in ratio indicates increased confidence in the Croatian banking sector.	1996	20	22.5
	1997	24	32.6
	1998	27	
	1999	30	

Table 2.3 Companies with securities officially listed at the Stock Exchange

OBJECTIVE: SO2 APPROVED: 01/97 COUNTRY/ORGANIZATION: Croatia			
RESULT NAME: IR 2.2.:Capital Market expanded			
INDICATOR: Companies with securities officially listed at the Stock Exchange.*			
UNIT OF MEASURE: Cumulative number	YEAR	PLANNE D	ACTUAL
SOURCE: CROSEC, Stock Exchange	1995	NA	1
INDICATOR DESCRIPTION: Companies which comply with all requirements of the Stock Exchange and apply for official public listing of securities COMMENTS: * First tier listing where public disclosure of information must be provided	1996	2	2
	1997	6	5
	1998	10	
	1999	14	

Table 2.4 Largest Banks Rehabilitated

OBJECTIVE: SO2 APPROVED: 01/01/1997 COUNTRY/ORGANIZATION: Croatia			
RESULT NAME: IR 2.1.2.: Largest banks rehabilitated			
INDICATOR: Banks enrolled in rehabilitation program			
UNIT OF MEASURE: Cumulative number	YEAR	PLANNED	ACTUAL
SOURCE: Bank Rehabilitation Agency	1995		1
INDICATOR DESCRIPTION: Judgement based on government decree COMMENTS:	1996	3	4
	1997	4	4
	1998	5	
	1999	5	

SO 3 (ENI SO 2.1): Increased, Better-Informed Citizens' Participation in Political Process

I. Overall Rating and Assessment of Progress Towards the Strategic Objective

Progress towards achievement of this SO is meeting expectations. USAID/Croatia gives this SO a rating of 2.5 based on a combination of (1) satisfactory performance over the past year towards achievement of intermediate results, (2) performance trends indicating reasonable prospects for achieving the objective within the established time frame, and (3) linkage of the SO to high priority US national interests and foreign policy objectives.

USAID/Croatia's assessment of past year progress is based on success in strengthening the capacity of independent media, NGOs, trade unions, and political parties in Croatia. USAID programs are ensuring the survival and development of a broad range of civil society institutions in Croatia. By leveraging and coordinating additional resources from other donors, USAID and its partners are also having important indirect impacts on democratization in Croatia. USAID activities under this SO support US country team policy dialogue efforts by identifying and analyzing key issues and constraints affecting further democratization.

Progress towards development of civil society in Croatia is all the more notable in light of the markedly hostile political environment in which the transition to democracy is occurring. In 1997, the government continued to use legislation, the judiciary, and other means at its disposal to intimidate and repress independent journalists, human rights activists and leaders of NGOs who criticized or questioned government policies. President Tudjman himself has openly attacked prominent NGO and human rights activists as enemies of the state and has characterized efforts to promote further democratization as part of a sinister plot to de-stabilize the country and create conditions of anarchy.

This sorry state of affairs is reflected in the latest Freedom House "Nations in Transit" report on the status of transition in Central and Eastern Europe. In 1997, Croatia failed again to make any progress towards improving its unsatisfactory combined average democracy rating (see Performance Table 3.1). Croatia ranks 12th out of 13 surveyed CEE countries -- slightly ahead of Albania, but behind Slovakia, Bulgaria, Romania and Macedonia-- in promoting democratic freedoms. In the disaggregated categories of political processes, press freedom and public administration, Croatia's ratings actually declined in 1997. That Croatia made little or no progress in 1997 towards advancing its case for further integration into European and Transatlantic institutions was due in large part to the failure of the GOC to improve the climate for democratization.

In assessing USAID's democratization program in Croatia, it is important to make the distinction between support to the government and support for democratic reformers. The US country team has observed first hand the contempt with which many in the ruling party view the most basic democratic principles and civil liberties. Under the circumstances, there is no possibility at this time of using assistance funds to promote democratic reform from within the GOC. There exists, nonetheless, in Croatia an impressive array of committed and courageous individuals and organizations willing and capable of advancing and eventually winning the battle to create a more

open democratic society. These democratic reformers need and deserve the sustained moral and financial support of the international community both to survive and develop. USAID/Croatia's view is that the hostility of the GOC to democratic reform and democratic reformers is the strongest argument in favor of increasing support for development of civil society in Croatia.

USAID's seemingly counterintuitive assessment of the performance trend for achieving the democratization objective is based on a combination of the strength of civil society institutions in Croatia and anticipated political events over the next one to three years. Parliamentary elections could be called anytime in the next 6 to 18 months, and the end of President Tudjman's final term in office will trigger new, potentially more open, presidential elections. The US country team's view is that these two events will mark a generational change in leadership in Croatia and create opportunity for more moderate and democratically oriented leaders to gain political power. The country team's recommendation is that USAID work now to enhance this opportunity by intensifying its efforts to develop the essential components of an open democracy in Croatia, including independent media, freer and fairer electoral processes, political parties, NGOs, labor unions, independent judiciary and other civil society institutions.

Democratization in Croatia is directly linked to two of the seven national interests listed in the Strategic Plan for International Affairs (SPIA). USAID support falls under the approved SPIA strategy to "increase foreign government adherence to democratic practices and respect for human rights." The country team in Croatia has defined democratization as the highest priority long-term US foreign policy objective in Croatia.

II. Performance Analysis

Under this SO, USAID support is directed towards three intermediate results: (IR 3.1) more effective advocacy by NGOs and trade unions, (IR 3.2) increased responsiveness of political parties to constituents, and (IR 3.3) increased balance in media reporting.

IR 3.1 More effective advocacy by NGOs, trade unions.

The NGO sector in Croatia is more advanced and more diverse than in many other transitional countries. There are over 4,000 registered NGOs scattered throughout the country, representing a broad spectrum of issues and perspectives. Many NGOs came into existence during the war as providers of social and humanitarian services to sustain local populations when local governments were stretched beyond capacity. The experience of the war demonstrated that NGO's, if given the opportunity, could supplement and even supplant the role of government in responding to citizens' needs. In working closely and directly with their constituents, NGOs have developed a more practical, first-hand understanding of the circumstances affecting the lives of real people and are more responsive to and representative of citizens' interests than many elected officials. NGOs in Croatia are characterized by a high degree of ethnic tolerance and diversity, including the active participation of a high percentage of women.

Since the end of the war, the NGO sector in Croatia has been struggling to make the transition

from humanitarian service providers to broader based civil society and advocacy institutions. The difficulty of this transition has been exacerbated by two factors: the decline in availability of outside resources in response to the end of the war emergency, and the increasingly hostile legal and regulatory environment created by the GOC to thwart the proliferation of citizens' groups which it views as potential threats to its monopolization of power.

According to USAID's internal NGO Sustainability Index (see Performance Table 3.3) Croatia has the worst legal and regulatory environment for NGOs of all the countries surveyed. New laws on association and public assembly enacted over the past year have further restricted the freedom of NGOs to operate in Croatia. The lack of any special provisions in the tax code to encourage charitable contributions by individuals and corporations or to allow exemptions for non-profit organizations has made it difficult for NGOs to achieve financial sustainability. Furthermore, NGOs, particularly those working on sensitive issues such as human rights, women's rights, independent media, or election reform are subject to politically motivated government harassment and persecution. The upshot of this is that the NGO sector needs outside support to survive and develop under current political circumstances.

Since 1995, USAID has been a major supporter of NGOs in Croatia, first as deliverers of emergency social services and more recently as civil society and advocacy institutions. Over the past year, USAID-funded umbrella grant programs managed by the International Rescue Committee (IRC), Delphi International, and ADF continued to provide vital assistance to hundreds of Croatian NGOs including women's groups, human rights organizations and other advocacy groups. Over the past year, the country team has continued to make effective use of The Democracy Commission to provide small grants to a range of local NGOs. In October 1997, USAID completed design of a new three year NGO sector development project to replace the existing umbrella grant projects scheduled for close out over the next six months. A number of unforeseen procurement problems have delayed the start-up of the new NGO project from January to June 1998.

USAID-funded technical assistance through the International Center for Not for Profit Law (ICNL) has also played an important role in identifying priority issues and analyzing the legal and regulatory framework affecting NGOs. ICNL can continue to play an important role in Croatia by undertaking cross-country comparative analyses of the legal/regulatory environment in Croatia and by recommending specific revisions that are needed to bring Croatia into line with European standards. ICNL analyses and reports will be shared among other donors and international organizations in Croatia to develop common reform agendas for framing a cohesive policy dialogue with the GOC.

Labor unions, whose memberships include almost two-thirds of the formal work force, are another important potential catalyst for democratization in Croatia. Training and technical assistance from the American Center for International Labor Solidarity (ACILS) has been effective in strengthening internal organization and encouraging unions to form coalitions around social and economic issues affecting all workers and their families. Over the past year, labor unions in Croatia have become increasingly vocal in protesting against economic conditions and demanding revision of government policies. In 1997, coordinated action of several of the largest

unions against government legislation to restrict the right of public assembly and more recent public demonstrations in Zagreb over the cost of living and corruption are indicative of increasing activism. USAID will continue to provide support to labor unions to improve internal management and assist union leaders and rank and file to develop better methods for identifying key issues, developing reform agendas, and forming coalitions to advocate more effectively for reforms that benefit the broadest segment of society.

IR 3.2 Increased responsiveness among political parties to constituents

Monopolization of political power by the ruling party remains the most significant obstacle to democratic transition in Croatia. Results of presidential and local elections held in 1997 served only to re-confirm and consolidate the ruling party's dominance of political institutions in Croatia. While elections in 1997 were generally orderly and peaceful, they were roundly criticized as "free but not fair" by the OSCE and other international observers. Abuse of the powers of incumbency and unfair government restriction of opposition party candidates' access to the media were the two principal issues cited.

While unfair political processes in Croatia were a major factor in the opposition's poor showing in recent elections, the inexperience and internal weaknesses of the parties themselves also played an important contributing role. Opposition parties in Croatia are poorly organized and excessively dominated by cult-of- personality leadership. They remain prone to debilitating infighting and incapable of forming coalitions that would enhance their prospects power sharing. From an institutional perspective, parties generally lack the capacity to conduct effective two way communication needed to connect with constituents. Party platforms are virtually non-existent or devoid of substance, and parties have failed to carve out for themselves distinguishing institutional identities necessary to enable them to compete effectively with the HDZ.

Over the past two years, the National Democratic Institute (NDI) has been working with parties throughout Croatia to encourage them to adopt more participatory approaches to communicating with constituents. NDI provides technical assistance and in-country training to political party officials at the local level on basic issues, such as constituent polling, questionnaire techniques and effective campaign practices, including door to door campaigns and direct mailings. Over the past two years, 166 party members from 85 branch offices of six different parties in Croatia have participated in NDI seminars and training sessions. At the end of this training-of-trainers program, NDI will have institutionalized parties' in-house training capacity. NDI is also working with local elected government officials in Osijek and Pula to improve constituent relations and develop techniques to improve responsiveness to local community needs. While the direct impact of NDI's work has not been manifested in election results, there is evidence that political party officials in Croatia are beginning to understand the importance of adopting and utilizing more participatory practices to increase responsiveness to constituents' needs. The severity of recent electoral defeats was a wake-up call to opposition party officials and has made them more receptive to new approaches offered by NDI.

In anticipation of the next round of national elections, USAID will intensify its support for

political party building in Croatia. In addition to long-term institutional capacity building by NDI, USAID will make available to interested parties, short-term professional political consulting services to organize and conduct a series of national polls, advise parties on development of campaign strategies, and develop and articulate more effective party platforms. Progress is needed in each of these areas to begin to break the HDZ's monopoly on power.

IR 3.3 Increased balance in media reporting

Progress over the past year towards achieving this IR was mixed. As indicated in the Freedom House survey, the environment for press freedom in Croatia went from bad to worse in 1997. Croatia is now among the group of transitional countries where media are categorized as "not free." Journalists and media lawyers cite the adverse legal framework and government control of the national television broadcasting system as the two principal obstacles to independent media development in Croatia.

Croatia's media law and criminal code prohibit criticism of senior GOC officials, include "insult" as a criminal offense, and provide excessive latitude for filing civil defamation and libel suits even against published reports which are factually correct. That there are currently 500 civil and 100 criminal court cases pending against journalists and publishers is gross evidence that the HDZ is using the courts to muzzle its critics. The legal environment in Croatia severely restricts the scope for independent journalists to practice their profession and contributes to an atmosphere of intimidation and self censorship. The situation is exacerbated by a less than independent judiciary which cannot be counted on to render fair and impartial decisions in court cases against critics of the government.

Control of the national television infrastructure and application of restrictive telecommunications laws and licensing procedures have enabled the ruling party to maintain a virtual monopoly on information about events in Croatia. All three of the national television channels in Croatia are state-owned, and management is tightly controlled by the ruling party. The government also continues to maintain control of most information distribution systems for print media. Fear of persecution by the government has forced many businesses and other potential sources of advertising revenue for fledgling independent to work only with government controlled media outlets. Anti-competitive practices make it virtually impossible for independent media to achieve real financial sustainability.

In spite of this decidedly unfavorable environment, USAID has continued over the past year to make good progress in assisting development of independent media in Croatia. Support through the International Research Exchange (IREX) Commission's Professional Media Program has enabled the Croatian Journalists Association (CJA) to become a viable and influential institution for advocating, defending, and marshaling support for independent journalists and media practitioners in Croatia. The association has over 2,800 members and serves as a central meeting place and service center for journalists in Croatia. USAID has assisted the association to establish and maintain a training center, provide access to a newspaper archive, develop legal assistance and legal defense programs, and establish a press club.

USAID support has also facilitated the establishment of the Association of Independent Radio Stations and the Association of Small TV stations which are making slow but incremental headway towards breaking government control of electronic media. A particularly noteworthy development in 1997 was the establishment of the Forum 21 group whose members include some of the most prominent and well-known TV and radio journalists in Croatia. Forum 21's goal is to end government control of the Croatia Radio and Television (HRT) broadcast corporation and to open access to the electronic media infrastructure in Croatia to independent media. Forum 21 has received support and advice from both IREX and the CJA and was the recipient of a small grant from USAID Office of Transitional Initiatives (OTI).

Finally, USAID both from its own resources and through leveraging and coordination with other donors has also been the source of crucial financial and technical assistance to a range of independent papers and magazines in Croatia including Novi List, the Feral Tribune, Glas Istre and Tjednik. Tjednik which began publishing in February 1997 with a grant from USAID is now in its second year of publication. While Tjednik continues to suffer from serious financial difficulties - as do virtually all serious independent print media in Croatia- it has been and remains an important source of objective independent news reporting in Croatia. Without continued direct support from USAID and other donors, independent media in Croatia would likely wither away and perhaps disappear forever. The success of the Zagreb-based independent Radio 101 to win a long term broadcast license and gain approval for a more powerful transmitter to reach a larger audience is a model for how coordinated and concerted international support can be used to support development of independent media in Croatia.

III. Expected Progress through FY 00 and Management Actions

Under current circumstances, democratization in Croatia is a long-term, uphill struggle, the full accomplishment of which is will take many years to complete. USAID expects that democratization will be its primary objective for the duration of the program in Croatia. Unless Croatia substantially accelerates the pace of democratic reform over the next 1-3 years, it will not reach graduation status before program close out, and it will remain isolated from the process of European and transatlantic integration.

USAID has adopted an aggressive civil society strategy as a countermeasure to GOC resistance to democratic reform. Through FY 00 USAID will continue to bypass bilateral channels and provide direct support to democratic reformers and civil society institutions in Croatia. USAID expects that its sustained support for NGOs, labor unions, political parties and women's groups in Croatia will enable them to emerge as representative and effective advocates of democratic reform and transition. Beginning in FY 98 and extending through FY 00, USAID will add a "Human Rights/Independent Judiciary" component to its democracy program as an additional and essential lever for change. USAID will implement this program through existing Croatian NGOs and non governmental institutions.

USAID democracy strategy for Croatia is predicated on its assessment that sustained pressure both from within by civil society institutions and from without by diplomatic missions and

international organizations will lead to improvements in the legal, regulatory and administrative environment for democratization. Over the next one to three years, USAID and its democratization partners will place special emphasis on developing more effective communication and coordination both within and among civil society institutions. For example, USAID will encourage labor unions to develop common reform agendas with NGOs and political parties. USAID will also increasingly stress to its partners the importance of working effectively with the independent media to develop and deliver meaningful messages to a broader base of Croatian citizens. USAID will also encourage formation of coalitions and partnerships among alternative political parties to develop common reform agendas and mount a coordinated challenge to the HDZ in forthcoming elections.

Over the past year, USAID has staffed up its democracy office to a total of five professionals, including two US personal services contractor and three Croatian project specialists. USAID now has adequate managerial capacity to support an expanded and intensified democratization program. Over the past several years, USAID has identified and established programs with a range of strong and effective civil society institutions in Croatia that have demonstrated already their capacity to make progress even under adverse circumstances. Were the political leadership of the county to change to a more open democratic philosophy, it is conceivable that a rapid transformation of the situation could occur. This would have substantial positive benefits not only for Croatia in terms of full integration with Europe and the West, but also for long term peace and stability in the region.

Table 3.1: Freedom House Combined Average Rating

Strategic Objective 3: Increased, better-informed Citizens Participation in Political Process APPROVED: COUNTRY/ORGANIZATION: Croatia			
RESULT NAME: Increased, better Informed Citizens' Participation in Political Process			
INDICATOR: Freedom House Combined Average Rating			
UNIT OF MEASURE: Freedom House Scale of Freedom; Gradations of Free; Partly Free (PF) and Not Free (NF).	YEAR	PLAN	ACTUAL
SOURCE: Freedom House Report	1996	Baseline	4.0 (PF)
INDICATOR DESCRIPTION: Combines analysis of Civil Liberties and Political Rights. Progress is reflected by declining score.	1997	3.0 (PF)	4.0 (PF)
	1998	2.5 (Free)	
	1999	2.0 (Free)	
	2000	1.5 (Free)	
COMMENTS: 4.0 rating corresponds to Partly Free (PF). Rating puts Croatia at same level as Albania, Georgia and Kirgyz Rep and behind Russia, Ukraine, Moldova, Slovakia among other PF CEE/NIS Countries.	2001	1.5 (Free)	

Table 3.2: ENI/DGSR NGO Sustainability Index

OBJECTIVE: SO3 - Increased, better informed citizen's participation in political process APPROVED: COUNTRY/ORGANIZATION: USAID/Croatia			
RESULT NAME: IR 3.1. - More effective advocacy by NGOs, Trade Unions			
INDICATOR: Overall strength/development of the NGO sector.			
UNIT OF MEASURE: The Sustainability Index is a composite score based on qualitative analysis of the entire NGO sector in five areas: legal environment, organizational capacity, financial viability, advocacy skills, public image of NGOs and overall civil liberties. Scoring is on a descending 7 -1 scale with 7 being the worst score and 1 the best. SOURCE: USAID, 1997 Sustainability Index INDICATOR DESCRIPTION: 7 is lowest rating corresponding to erosion or no change since the end of the Soviet Era. A score of 1 corresponds to strong progress towards sustainable NGO development. COMMENTS: Sustainability Index rating for Croatia is an aggregation of six different factor: legal environment scale: 6; organizational capacity: 3; financial viability: 4; advocacy 5; public image: 5; and Freedom House's civil liberties index: 4.	YEAR	PLAN	ACTUAL
	1996	Baseline	4.5
	1997	4.0	Not available
	1998	3.8	
	1999	3.5	
	2000	2.5	

Table 3.3: Freedom House Rating of Press Freedom in Croatia

Strategic Objective 3: Increased, better-informed Citizens Participation in Political Process APPROVED: COUNTRY/ORGANIZATION: Croatia			
RESULT NAME: Increased Balance in Media Reporting			
INDICATOR: Freedom House Press Freedom Rating			
UNIT OF MEASURE: Freedom House Scale of Press Freedom SOURCE: Freedom House Report INDICATOR DESCRIPTION: Scores from 1-30 correspond to Free (F); from 31-60, Partly Free (PF); and from 61-75 Not Free (NF) COMMENTS: Croatia's Press Freedom rating went from bad to worse in 1997 and the country is now in the "not free" category with countries like Albania, Kazakhstan, Turkmenistan and Uzbekistan.	YEAR	PLAN	ACTUAL
	1996	Baseline	58 (PF)
	1997	45 (PF) ¹	63 (NF)
	1998	35 (PF)	
	1999	30 (F)	
	2000	20 (F)	

Cross Cutting Activities and Special Initiatives

I. Overall Rating and Assessment of Progress Towards the Strategic Objective

Progress over the past year under cross-cutting activities is meeting expectations. USAID gives this a rating of 2.0. All cross-cutting activities in Croatia directly support achievement of one or more strategic objectives.

II. Performance Analysis

Four cross-cutting programs, the TRANSIT participant training project, the Entrepreneurial Management and Executive Development (EMED) training program; the American Bar Association/Central and Eastern European Legal Initiative (ABA/CEELI), and the Audit, Evaluation and Project Support (AEPS) Project are currently operating in Croatia. Each of these activities is funded under cross-cutting objectives, but overall funding levels are determined by aggregating requests from each of the SOs for training, legal services and project support.

The **Participant Training** project contributes to all three SOs. In FY 1997 a total of approximately 40 participants received training under the program, including ten under SO 1, five under SO 2 and 25 under SO 3. Notably successful training programs supported under this project included US based community development training of a group of 10 multi ethnic community leaders from the Slavonia region, one of whom returned to found an Association of Volunteers in Bilje (Baranya, Eastern Slavonia) upon return. Other excellent programs undertaken over the past year included management training for a group of labor union leaders and trainers, training of a group of professional media lawyers to provide services to the Croatian Journalists Association, and support for senior management at the Journalists' Association to participate in the 49th World Newspaper Congress and the Third World Editors Forum in Washington and attend a training program on Organization and Management of Journalists' Associations.

EMED training contributes to SO 1 and SO 2. Over the past twelve months, progress in implementing the EMED project in Croatia was slower than expected due to delays in finalizing in AID/W a new regional contract for provision of services. EMED works with the FLAG project in the Slavonia region to identify appropriate candidates to support reintegration of populations. EMED also provides training under SO 2 to financial sector regulators and financial services providers.

The **ABA/CEELI** project contributes to SO 1, SO 2 and SO 3. Under SO 1, ABA provided a resident civil rights lawyer to support Human and Civil Rights Protection in eastern Slavonia (see IR 1.2). Under SO 2, ABA commercial law specialists have worked to improve the legal framework affecting capital markets development (IR 2.2.1) and provided support to strengthen capacity of regulatory agencies and institutions (IR 2.2.1 and IR 2.2.2). Under SO 3, ABA has supported the development of the Croatian Judges Association (IR 4.1) and the Croatian Women's Lawyers Association.

The **AEPS** project supports 4 USPSC and 7 FSN project management and support positions with USAID/Croatia. Funding for staff under AEPS is consistent with management by SO. While SO team members may retain some specialization within the SO, the team approach entails more cross-cutting management for which AEPS funding is appropriate.

III. Expected Progress through 2000 and Management Actions

EMED training of enterprise owners and managers in the Slavonia region and other war-affected areas will be completed by the end of FY 99.

The Transit, participant training program will continue in Croatia through FY 00. Beginning in FY 99, most or all training will be directed to democratization under SO 3.

USAID will negotiate a new agreement with ABA in FY 98 which will include support to the ICTY in the Hague.

Part III: Management Contract

A. Status of the Management Contract

USAID/Croatia is proposing no major revisions to the management contract established in FY 96 and updated in FY 97. Budget reductions from the approved FY 98 level of \$24.0 million to \$19.0 million must be considered a major revision by AID/W of its side of the contract. As discussed above, unless this 21% reduction is offset by increases in FY 98 and FY 99 planning levels, USAID/Croatia will be forced to scale back and prematurely terminate planned activities under SO 1, Reintegration of Populations and modify results accordingly.

Two minor modifications of the SO 1 results framework are proposed. The first is to revise the wording of IR 1.1. from "Affected populations become economically productive members of society" to "Small and medium scale private enterprise sector developed in war-affected areas." The second is to modify IR 1.3 from "Increased problem solving by civil society" to "Displaced persons return to communities of origin." This modification reflects the change in USAID focus from sustaining populations in place in eastern Slavonia to pro-active support in cooperation with the International Organization for Migration (IOM) to assist DPs to return to communities of origin in other parts of Croatia.

No other revisions to the management contract are proposed.

B. Issues and Concerns

Resource Levels

The principal issue raised in this R(4) is the inadequacy of current budget planning levels for USAID to achieve its objectives in Democratization and Reintegration of Populations. Achievement of both of these objectives requires sustained support for a portfolio of multi-year projects. Current funding levels have forced the country team to choose between short and long term objectives -- despite the fact that the two are very closely connected. Unless program funding levels are raised, USAID will forego FY 99 funding for most of its reintegration activities in favor of providing adequate resources to support longer term democratization. The country team's analysis is that funding for the democracy portfolio must be sustained at proposed levels in order to meet the threshold for achieving meaningful and sustainable results.

During last year's R(4) Program Review process USAID raised the issue of inadequate FY 99 funding levels. USAID/Croatia, with the strongest support of the full country team in Croatia, requests an increase in total funding for FY 98 and FY 99 from \$29.0 million to \$38.0 million. Additional funds will be used to fund existing projects under SO 1, Reintegration of Populations. No new projects or activities will be added to the SO 1 portfolio though the scope of support may expand (as planned from the outset) to include other war affected areas such as the Krajina. The supplemental request of 9.0 million is the minimum required to fund existing SO 1 projects

up to their authorized total funding levels and allow programs to operate long enough (i.e., through December 31, 1999) to achieve the results for which they were designed.

C. 22 CFR 216

There are currently no 22 CFR 216 issues that would require environmental review.

Part IV. Resources Request

A. Financial Plan

Total approved program resources for the USAID program in Croatia in FY 98 are \$19.0 million. This constitutes a \$5.0 million reduction from the planning level requested and approved in the FY99 R(4) cycle. The current planning level for FY 99 is \$10.0 million. USAID raised the FY 99 planning level as an issue at last year's program review meetings in July 1997. At that time, the AID Representative requested that the ENI bureau consider a more gradual decline in resource levels for the period FY 99 through 01 to enable USAID to design, develop, and implement multi-year programs to support reintegration and democratization.

Under SO 1, USAID/Croatia has completed the design and development of a portfolio of multi-year projects to support reintegration through December 1999. Unless funding levels are increased for FY 98 and 99, USAID will be forced to terminate several of these programs prematurely and will not achieve the results and objectives that have been established over the past several years. Budget table #1 in Annex one provides details of how supplemental request of \$9.0 million would be allocated among existing SO 1 projects and activities.

FY 1997-00 Funding for USAID/Zagreb by SO

Strategic Objective	FY 97*	FY 98	FY 99	FY 00
SO 1: Reintegration of populations affected by the Erdut Agreement	6,919	10,500	1,800	0
SO 2: More competitive, market-responsive private financial sector	800	1,000	0	0
SO 3: Increased, better-informed citizens' participation in political process	2,970	4,800	6,020	5,250
Cross-Cutting & Special Initiatives	2,561	2,700	2,180	1,750
Operating Year Budget	13,250	19,000	10,000	7,000

* FY 97 level Includes \$1.0 million from FY 96 Performance Funds allocated to Croatia in early 1997 to support eastern Slavonia.

B. Prioritization of Strategic Objectives

USAID's principal goal in Croatia is to foster development of a more open democratic society based on the rule of law and a high standard of respect for human and civil rights. Since 1996, USAID's highest priority strategic objective has been to facilitate the reintegration of displaced persons and refugees in accordance with the provisions of the Erdut and Dayton agreements. Reintegration will remain the highest priority through FY 98. It is expected that the process of reintegration in Croatia will be irreversibly determined by the end of FY 99.

Beginning in FY 99, democratization will become USAID's highest priority strategic objective in Croatia and will remain so for the duration of the program until graduation or close-out in the year 2001 or 2002. USAID/Croatia priorities are clearly reflected in the financial plan.

C. Personnel and Operating Expense Budget

The FY 98 and FY 99 Operating Expense (OE) budgets for USAID/Croatia are \$900,00 and \$1.0 million respectively. USAID requests an increase of 150,000 of its FY 99 OE budget to cover transfer costs of one additional US Direct Hire employee. The FY 00 OE planning level is \$1.0 million.

Total staff at USAID/Croatia is 21 people. No changes to this level are proposed through FY 00.

D. Field Support/Global Bureau

The Global Bureau Support table is attached. USAID will consider options for supporting political party building in FY 98 and 99 through the Consortium for Elections and Political Processes Strengthening (CEPPS) managed by the Global Bureau's Center for Democracy and Governance.

ANNEX I

USAID/CROATIA

PROGRAM BUDGET TABLES

FY 00 RESOURCES REQUEST

Budget Table # 1

USAID Croatia Program Budget By Field SO and ENI Project/Activity

FY 00 Results Review, Resources Request

Proj #	Activity	1998	1999	suppl	2000
S.O. 1 Reintegrating War Affected Populations					
180-0016	War Victims/Legal Assistance	2,000	1,350	0	0
180-0016	NGO Humanitarian Grants	30		0	0
180-0023	SME Micro-Loan Program	0		0	0
180-0023	ES Investment Fund/Equity Finance	500		1,500	0
180-0023	ES Private Enterprise Development	400		900	0
180-0034	Return Assistance Program	7,500	450	5,550	0
Sub Total SO 1		10,430	1,800	7,950	0
S.O. 2 More Competitive Market Responsive Financial Sector					
180-0014	Capital Markets Development	750	0	0	0
180-0014	Banking Sector Reform	250	0	0	0
180-0027	FSVC Grant	0	0	200	0
Sub Total SO 2		1,000	0	200	0
S.O. 3 Increased, Better-Informed Citizens' Participation					
180-0021	Political Organizations (and Elections)	550	900	0	600
180-0021	Elections	100	500	0	0
180-0021	Trade/Labor Unions	600	600	0	200
180-0022	Professional Media Program/Independent Media	1,000	1,500	0	1,000
180-0032	Croatia NGO Sector Development Project	1,600	1,120	0	0
180-0032	Democracy Networks	100	100	0	100
180-0032	Human Rights/Independent Judiciary	300	750	0	700
180-xxxx	Democracy Commission (Transfer)	200	200	0	300
180-xxxx	Media Training (USIS Transfer)	100	100	0	100
180-xxxx	Ron Brown Fellowships (USIS Transfer)	250	250	0	250
180-xxxx	Civil Society Trust Fund	0	0	700	2,000
Sub Total S.O. 3		4,800	6,020	700	5,250
Cross Cutting/ Other Objectives					
180-0020	ABA Grant	150	150	50	250
180-0023	Entrepreneur Mgmt & Exec. Training (EMED)	300	0	100	0
180-0045	Participant Training	780	500	0	500
180-0249	PSCs, Travel, proj. sup. field, gen	1,540	1,530	0	1,000
Total Crosscutting and Other Objectives		2,770	2,180	150	1,750
TOTAL ALL PROGRAMS		19,000	10,000	9,000	7,000

Budget Table # 2**USAID Croatia Program Budget By ENI Bureau Project and SO
FY 00 Results Review, Resources Request**

<u>prj#</u>	<u>Project/Activity</u>	<u>1998</u>	<u>1999</u>	<u>suppl.</u>	<u>2000</u>
A. Strengthening Democratic Institutions					
180-0020	ABA Grant	150	150	50	250
180-0021	Political Organizations	550	900	0	600
180-0021	Elections	100	500	0	0
180-0021	Labor Unions	600	600	0	200
180-0022	Independent Media	1,000	1,500	0	1,000
180-0032	Non Governmental Organization Development	1,600	1,120	0	2,800
180-0032	Democracy Networks	100	100		100
180-0032	Human Rights/Independent Judiciary	300	750		700
180-0032	Civil Society Trust Fund	0	0	700	2,000
180-xxxx	Democracy Commission	200	200	0	300
180-xxxx	Ron Brown Fellowships	250	250	0	250
180-xxxx	Media Training	100	100	0	100
B. Economic Restructuring					
180-0014	Capital Markets Development	750	0	0	0
180-0014	Banking Sector Reform	250	0	0	0
180-0023	Eastern Slavonia Private Enterprise Development	400	0	900	0
180-0023	Eastern Slavonia Investment Fund/Equity Finance	500	0	1,500	
180-0023	Entrepreneur Mgmt & Exec. Training (EMED)	300	0	100	0
180-0027	FSVC Grant	0	0	200	0
180-0045	Participant Training	780	500	0	500
C. Improving the Quality of Life					
180-0016	War Victims/Legal Assistance	2,000	1,350	0	0
180-0016	NGOs/Humanitarian Assistance	30	0	0	0
180-0034	Return Assistance Program	7,500	450	5,550	0
D. Miscellaneous					
180-0249	PSCs, Travel, proj. sup. field, gen	1,540	1,530	0	1,000
TOTAL ALL PROGRAMS		19,000	10,000	9,000	9,800

USAID FY 2000 BUDGET REQUEST BY PROGRAM/COUNTRY

02-Sep-98
04:01 PMCountry/Program: USAID/Croatia
Scenario: Base Level

Approp. Acct	Bilateral/Field Support	Est. SO Pipeline End of FY 99	Estimated Total	FY 2000										Est. Expend. FY 00	Est. Total Cost life of SO	Future Cost (POST 2000)	Year of Final Oblig.
				Basic Education	Agric.	Other Growth		Pop	Child Survival	Infectious Diseases	HIV/AIDS	Other Health	Environ				
SO 1: Reintegration of populations affected by Erdut Agreement																	
	Bilateral	0	0			0				0		0	0	41,000	0	99	
	Field Spt		0														
	Total	0	0	0		0	0	0	0	0	0	0		41,000	0		
SO 2: More competitive, market-responsive private financial sector																	
	Bilateral	0	0			0							0	5,500	0	98	
	Field Spt		0														
	Total	0	0	0		0	0	0	0	0	0	0		5,500	0		
SO 3: Increased, better-informed citizens' participation in political process																	
	Bilateral	3,000	5,250									5,250	6,500	32,000	0	01	
	Field Spt		0												0		
	Total	3,000	5,250	0		0	0	0	0	0	0	5,250		32,000	0		
Cross-cutting and special initiatives																	
	Bilateral	1,000	1,750								0	1,750	1,750	18,000	0	01	
	Field Spt		0														
	Total	1,000	1,750	0		0	0	0	0	0	0	1,750		18,000	0		
	Bilateral		0												0	XX	
	Field Spt		0														
	Total	0	0	0		0	0	0	0	0	0	0			0		
	Bilateral		0												0	XX	
	Field Spt		0														
	Total	0	0	0		0	0	0	0	0	0	0			0		
	Bilateral		0														
	Field Spt		0														
	Total	0	0	0		0	0	0	0	0	0	0					
Total Bilateral		4,000	7,000	0		0	0	0	0	0	0	7,000			0		
Total Field Support		0	0	0		0	0	0	0	0	0	0					
TOTAL PROGRAM		4,000	7,000	0		0	0	0	0	0	0	7,000		96,500	0		

FY 2000 Request Sector Totals -- DA	
Econ Growth	0
[Of which Microenterpris	0
HCD	
PHN	0
Environment	0
[Of which Biodiversity]	0
Democracy	7,000
Humanitarian	0

FY 2000 Request Sector Totals -- ESF	
Econ Growth	0
[Of which Microenterprise	0
HCD	
PHN	0
Environment	0
[Of which Biodiversity]	0
Democracy	0
Humanitarian	0

FY 2001 Target Program Level	5,000
FY 2002 Target Program Level	0
FY 2003 Target Program Level	0

USAID FY 1999 Budget Request by Program/Country

02-Sep-98
04:01 PMCountry/Program: USAID/Croatia
Scenario: Base Level

Approp. Acct	Bilateral/Fi eld Support	Est. SO Pipeline End of FY 98	Estimated Total	FY 1999										Est. Expend. FY 99	Est. Total Cost life of SO	Future Cost (POST 2000)	Year of Final Oblig.
				Basic Education	Agric.	Other Growth	Pop	Child Survival	Infectious Diseases	HIV/AIDS	Other Health	Environ	D/G				
SO 1: Reintegration of populations affected by Erdut Agreement																	
	Bilateral	5,500	1,800										1,800	7,300	41,000	0	99
	Field Spt		0														
	Total	5,500	1,800	0		0	0	0	0	0	0	0	1,800		41,000	0	
SO 2: More competitive, market-responsive private financial sector																	
	Bilateral	1,000	0										0	1,000	5,500	0	98
	Field Spt		0														
	Total	1,000	0	0		0	0	0	0	0	0	0	0		5,500	0	
SO 3: Increased, better-informed citizens' participation in political process																	
	Bilateral	3,300	6,020										6,020	6,320	32,000	0	01
	Field Spt		0													0	
	Total	3,300	6,020	0		0	0	0	0	0	0	0	6,020		32,000	0	
Cross-cutting and special initiatives																	
	Bilateral	1,000	2,180									0	2,180	2,430	18,000	0	01
	Field Spt		0														
	Total	1,000	2,180	0		0	0	0	0	0	0	0	2,180		18,000	0	
	Bilateral		0													0	XX
	Field Spt		0														
	Total	0	0	0		0	0	0	0	0	0	0	0			0	
	Bilateral		0													0	XX
	Field Spt		0														
	Total	0	0	0		0	0	0	0	0	0	0	0			0	
	Bilateral		0														
	Field Spt		0														
	Total	0	0	0		0	0	0	0	0	0	0	0				
Total Bilateral		10,800	10,000	0		0	0	0	0	0	0	0	10,000				
Total Field Support		0	0	0		0	0	0	0	0	0	0	0				
TOTAL PROGRAM		10,800	10,000	0		0	0	0	0	0	0	0	10,000		96,500	0	

FY 1999 Request Sector Totals -- DA	
Econ Growth	0
[Of which Microenterpris	0
HCD	
PHN	0
Environment	0
[Of which Biodiversity]	0
Democracy	10,000
Humanitarian	0

FY 1999 Request Sector Totals -- ESF	
Econ Growth	0
[Of which Microenterprise	0
HCD	
PHN	0
Environment	0
[Of which Biodiversity]	0
Democracy	0
Humanitarian	0

FY 2001 Target Program Level
FY 2002 Target Program Level
FY 2003 Target Program Level5,000
NA
NA

USAID FY 1998 Budget Request by Program/Country

02-Sep-98
04:01 PMCountry/Program: USAID/Croatia
Scenario: Base Level

FY 1998																		Future Cost (POST 2000)	Year of Final Oblig.
Approp. Acct	Bilateral/Fi eld Support	Est. SO Pipeline End of FY 97	Estimated Total	Basic Education	Agric.	Other Growth	Pop	Child Survival	Infectious Diseases	HIV/AIDS	Other Health	Environ	D/G	Est. Expend. FY 98	Est. Total Cost life of SO				
SO 1: Reintegration of populations affected by Erdut Agreement																			
	Bilateral	8,600	10,530			1,000							9,530	13,650	41,000	0	99		
	Field Spt		0																
	Total	8,600	10,530	0		1,000	0	0		0	0	0	9,530		41,000	0			
SO 2: More competitive, market-responsive private financial sector																			
	Bilateral	1,000	1,000			1,000								1,000	5,500	0	98		
	Field Spt		0																
	Total	1,000	1,000	0		1,000	0	0		0	0	0	0		5,500	0			
SO 3: Increased, better-informed citizens' participation in political process																			
	Bilateral	2,400	4,800										4,800	3,900	32,000	0	01		
	Field Spt		0													0			
	Total	2,400	4,800	0		0	0	0		0	0	0	4,800		32,000	0			
Cross-cutting and special initiatives																			
	Bilateral	1,250	2,670			200						0	2,470	2,920	18,000	0	01		
	Field Spt		0																
	Total	1,250	2,670	0		200	0	0		0	0	0	2,470		18,000	0			
	Bilateral		0													0	XX		
	Field Spt		0																
	Total	0	0	0		0	0	0		0	0	0	0			0			
	Bilateral		0													0	XX		
	Field Spt		0																
	Total	0	0	0		0	0	0		0	0	0	0			0			
	Bilateral		0																
	Field Spt		0																
	Total	0	0	0		0	0	0		0	0	0	0						
Total Bilateral		13,250	19,000	0		2,200	0	0		0	0	0	16,800						
Total Field Support		0	0	0		0	0	0		0	0	0	0						
TOTAL PROGRAM		13,250	19,000	0		2,200	0	0		0	0	0	16,800		96,500	0			

FY 1998 Request Sector Totals -- DA		
Econ Growth	2,200	
[Of which Microenterpris		
HCD		
PHN	0	
Environment	0	
[Of which Biodiversity]		
Democracy	16,800	
Humanitarian	0	

FY 1998 Request Sector Totals -- ESF		
Econ Growth	0	
[Of which Microenterprise		
HCD		
PHN	0	
Environment	0	
[Of which Biodiversity]		
Democracy	0	
Humanitarian	0	

FY 2001 Target Program Level
FY 2002 Target Program Level
FY 2003 Target Program Level5,000
NA
NA

GLOBAL FIELD SUPPORT									
Objective Name	Field Support: Activity Title & Number	Priority *	Duration	Estimated Funding (\$000)					
				FY 1998 Obligated by:		FY 1999 Obligated by:		FY 2000 Obligated by:	
				Operating Unit	Global Bureau	Operating Unit	Global Bureau	Operating Unit	Global Bureau
Increased, better informed citizens' participation in political process	Consortium for Elections and Political Process Strengthening (AEP5468-A-00-5038-00)	HIGH	2 years	100,000		500,000		0	
GRAND TOTAL.....									

* For Priorities use high, medium-high, medium, medium-low, low

ANNEX II

USAID/CROATIA

WORKFORCE TABLES

FY 00 RESOURCES REQUEST

Workforce

Org. USAID/Croatia FY 1998 On-Board Estimate	SO/SpO Staff							Total SO/SpO Staff	Management Staff						Total Mgmt.	Grand Total Staff
	SO 1	SO 2	SO 3	SO 4	SpO 1	SpO 2	SpO 3		Org. Mgmt.	Con- troller	AMS/ EXO	Con- tract	Legal	All Other		
U.S. Direct Hire	1							1	1						1	2
Other U.S. Citizens: 1/ OE Internationally Recruited								0			1				1	1
OE Locally Recruited Program	2		2					4	1						1	5
FNS/TCN Direct Hire: OE Internationally Recruited								0							0	0
OE Locally Recruited								0							0	0
FNS/TCN Non-Direct Hire: OE Internationally Recruited								0							0	0
OE Locally Recruited Program	3	1	3					7			6				6	13
Total Staff Levels	6	1	5	0	0	0	0	12	2	0	7	0	0	0	9	21
TAACS								0							0	0
Fellows								0							0	0

1/ Excluding TAACS and Fellows

Workforce

Org. USAID/Croatia FY 1999 Target On-Board Estimate	SO/SpO Staff							Total SO/SpO Staff	Management Staff						Total Mgmt.	Grand Total Staff
	SO 1	SO 2	SO 3	SO 4	SpO 1	SpO 2	SpO 3		Org. Mgmt.	Con- troller	AMS/ EXO	Con- tract	Legal	All Other		
U.S. Direct Hire	2							2	1						1	3
Other U.S. Citizens: 1/ OE Internationally Recruited								0	1		1				2	2
OE Locally Recruited								0							0	0
Program	1		2					3							0	3
FSN/TCN Direct Hire: OE Internationally Recruited								0							0	0
OE Locally Recruited								0							0	0
FSN/TCN Non-Direct Hire: OE Internationally Recruited								0							0	0
OE Locally Recruited								0							0	0
Program	3	1	3					7			6				6	13
Total Staff Levels	6	1	5	0	0	0	0	12	2	0	7	0	0	0	9	21
TAACS								0							0	0
Fellows								0							0	0

1/ Excluding TAACS and Fellows

Org. USAID/Croatia FY 1999 Request On-Board Estimate	SO/SpO Staff							Total SO/SpO Staff	Management Staff						Total Mgmt.	Grand Total Staff
	SO 1	SO 2	SO 3	SO 4	SpO 1	SpO 2	SpO 3		Org. Mgmt.	Con- troller	AMS/ EXO	Con- tract	Legal	All Other		
U.S. Direct Hire	2							2	1						1	3
Other U.S. Citizens: 1/ OE Internationally Recruited								0	1		1				2	2
OE Locally Recruited								0							0	0
Program	1		2					3							0	3
FSN/TCN Direct Hire: OE Internationally Recruited								0							0	0
OE Locally Recruited								0							0	0
FSN/TCN Non-Direct Hire: OE Internationally Recruited								0							0	0
OE Locally Recruited								0							0	0
Program	3	1	3					7			6				6	13
Total Staff Levels	6	1	5	0	0	0	0	12	2	0	7	0	0	0	9	21
TAACS								0							0	0
Fellows								0							0	0

1/ Excluding TAACS and Fellows

Workforce

Org. USAID/Croatia FY 2000 Target On-Board Estimate	SO/SpO Staff							Total SO/SpO Staff	Management Staff						Total Mgmt.	Grand Total Staff
	SO 1	SO 2	SO 3	SO 4	SpO 1	SpO 2	SpO 3		Org. Mgmt.	Con- troller	AMS/ EXO	Con- tract	Legal	All Other		
U.S. Direct Hire	2							2	1						1	3
Other U.S. Citizens: 1/ OE Internationally Recruited								0							0	0
OE Locally Recruited								0							0	0
Program	1		2					3	1		1				2	5
FSN/TCN Direct Hire:								0							0	0
OE Internationally Recruited								0							0	0
OE Locally Recruited																
FSN/TCN Non-Direct Hire:								0							0	0
OE Internationally Recruited								0							0	0
OE Locally Recruited																
Program	3	1	3					7			6				6	13
Total Staff Levels	6	1	5	0	0	0	0	12	2	0	7	0	0	0	9	21
TAACS								0							0	0
Fellows								0							0	0

1/ Excluding TAACS and Fellows

Org. USAID/Croatia FY 2000 Request On-Board Estimate	SO/SpO Staff							Total SO/SpO Staff	Management Staff						Total Mgmt.	Grand Total Staff
	SO 1	SO 2	SO 3	SO 4	SpO 1	SpO 2	SpO 3		Org. Mgmt.	Con- troller	AMS/ EXO	Con- tract	Legal	All Other		
U.S. Direct Hire	2							2	1						1	3
Other U.S. Citizens: 1/ OE Internationally Recruited								0							0	0
OE Locally Recruited								0							0	0
Program	1		2					3	1		1				2	5
FSN/TCN Direct Hire:								0							0	0
OE Internationally Recruited								0							0	0
OE Locally Recruited																
FSN/TCN Non-Direct Hire:								0							0	0
OE Internationally Recruited								0							0	0
OE Locally Recruited																
Program	3	1	3					7			6				6	13
Total Staff Levels	6	1	5	0	0	0	0	12	2	0	7	0	0	0	9	21
TAACS								0							0	0
Fellows								0							0	0

1/ Excluding TAACS and Fellows

Workforce

Org. USAID/Croatia FY 2001 On-Board Estimate	SO/SpO Staff							Total SO/SpO Staff	Management Staff						Total Mgmt.	Grand Total Staff
	SO 1	SO 2	SO 3	SO 4	SpO 1	SpO 2	SpO 3		Org. Mgmt.	Con- troller	AMS/ EXO	Con- tract	Legal	All Other		
U.S. Direct Hire	2							2	1						1	3
Other U.S. Citizens: 1/ OE Internationally Recruited								0							0	0
OE Locally Recruited								0							0	0
Program	1		2					3	1		1				2	5
FSN/TCN Direct Hire:																
OE Internationally Recruited								0							0	0
OE Locally Recruited								0							0	0
FSN/TCN Non-Direct Hire:																
OE Internationally Recruited								0							0	0
OE Locally Recruited								0							0	0
Program	3	1	3					7			6				6	13
Total Staff Levels	6	1	5	0	0	0	0	12	2	0	7	0	0	0	9	21
TAACS								0							0	0
Fellows								0							0	0

1/ Excluding TAACS and Fellows

Workforce

Org. USAID/Croatia Summary On-Board Estimate	SO/SpO Staff							Total SO/SpO Staff	Management Staff						Total Mgmt.	Grand Total Staff
	SO 1	SO 2	SO 3	SO 4	SpO 1	SpO 2	SpO 3		Org. Mgmt.	Con- troller	AMS/ EXO	Con- tract	Legal	All Other		
FY 1998:																
U.S. Direct Hire	1	0	0	0	0	0	0	1	1	0	0	0	0	0	1	2
OE Internationally Recruited	0	0	0	0	0	0	0	0	0	0	1	0	0	0	1	1
OE Locally Recruited	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total OE Funded Staff	1	0	0	0	0	0	0	1	1	0	1	0	0	0	2	3
Program Funded	5	1	5	0	0	0	0	11	1	0	6	0	0	0	7	18
Total FY 1998	6	1	5	0	0	0	0	13	2	0	7	0	0	0	11	21
FY 1999 Target:																
U.S. Direct Hire	2	0	0	0	0	0	0	2	1	0	0	0	0	0	1	3
OE Internationally Recruited	0	0	0	0	0	0	0	0	1	0	1	0	0	0	2	2
OE Locally Recruited	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total OE Funded Staff	2	0	0	0	0	0	0	2	2	0	1	0	0	0	3	5
Program Funded	4	1	5	0	0	0	0	10	0	0	6	0	0	0	6	16
Total FY 1999 Target	6	1	5	0	0	0	0	12	2	0	7	0	0	0	9	21
FY 1999 Request:																
U.S. Direct Hire	2	0	0	0	0	0	0	2	1	0	0	0	0	0	1	3
OE Internationally Recruited	0	0	0	0	0	0	0	0	1	0	1	0	0	0	2	2
OE Locally Recruited	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total OE Funded Staff	2	0	0	0	0	0	0	2	2	0	1	0	0	0	3	5
Program Funded	4	1	5	0	0	0	0	10	0	0	6	0	0	0	6	16
Total FY 1999 Request	6	1	5	0	0	0	0	12	2	0	7	0	0	0	9	21
FY 2000 Target:																
U.S. Direct Hire	2	0	0	0	0	0	0	2	1	0	0	0	0	0	1	3
OE Internationally Recruited	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OE Locally Recruited	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total OE Funded Staff	2	0	0	0	0	0	0	2	1	0	0	0	0	0	1	3
Program Funded	4	1	5	0	0	0	0	10	1	0	7	0	0	0	8	18
Total FY 2000 Target	6	1	5	0	0	0	0	12	2	0	7	0	0	0	9	21
FY 2000 Request:																
U.S. Direct Hire	2	0	0	0	0	0	0	2	1	0	0	0	0	0	1	3
OE Internationally Recruited	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OE Locally Recruited	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total OE Funded Staff	2	0	0	0	0	0	0	2	1	0	0	0	0	0	1	3
Program Funded	4	1	5	0	0	0	0	10	1	0	7	0	0	0	8	18
Total FY 2000 Request	6	1	5	0	0	0	0	12	2	0	7	0	0	0	9	21
FY 2001 Estimate:																
U.S. Direct Hire	2	0	0	0	0	0	0	2	1	0	0	0	0	0	1	3
OE Internationally Recruited	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OE Locally Recruited	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total OE Funded Staff	2	0	0	0	0	0	0	2	1	0	0	0	0	0	1	3
Program Funded	4	1	5	0	0	0	0	10	1	0	7	0	0	0	8	18
Total FY 2001 Estimate	6	1	5	0	0	0	0	12	2	0	7	0	0	0	9	21

Workforce

MISSION :

USDH STAFFING REQUIREMENTS BY SKILL CODE

BACKSTOP (BS)	NO. OF USDH EMPLOYEES IN BACKSTOP FY 98	NO. OF USDH EMPLOYEES IN BACKSTOP FY 99	NO. OF USDH EMPLOYEES IN BACKSTOP FY 2000	NO. OF USDH EMPLOYEES IN BACKSTOP FY 2001
01SMG	1	1	1	1
02 Program Off.				
03 EXO				
04 Controller				
05/06/07 Secretary				
10 Agriculture.				
11Economics				
12 GDO	1	2	2	2
12 Democracy				
14 Rural Dev.				
15 Food for Peace				
21 Private Ent.				
25 Engineering				
40 Environ				
50 Health/Pop.				
60 Education				
75 Physical Sci.				
85 Legal				
92 Commodity Mgt				
93 Contract Mgt				
94 PDO				
95 IDI				
Other*				
TOTAL	2	3	3	3

*please list occupations covered by other if there are any

Annex III

USAID/CROATIA

OPERATING EXPENSE BUDGET TABLES

FY 00 RESOURCES REQUEST

Operating Expenses

Org. Title: USAID/CROATIA			Overseas Mission Budgets														
Org. No: 22160			FY 1998			FY 1999 Target			FY 1999 Request			FY 2000 Target			FY 2000 Request		
OC			Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total

Org. Title: USAID/CROATIA			Overseas Mission Budgets														
Org. No: 22160			FY 1998			FY 1999 Target			FY 1999 Request			FY 2000 Target			FY 2000 Request		
OC			Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total

Operating Expenses

Org. Title: USAID/CROATIA Org. No: 22160 OC		Overseas Mission Budgets														
		FY 1998			FY 1999 Target			FY 1999 Request			FY 2000 Target			FY 2000 Request		
		Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total
11.1	Personnel compensation, full-time permanent	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
11.1	Base Pay & pymt. for annual leave balances - FNDH			0			0			0			0			0
	Subtotal OC 11.1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11.3	Personnel comp. - other than full-time permanent	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
11.3	Base Pay & pymt. for annual leave balances - FNDH			0			0			0			0			0
	Subtotal OC 11.3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11.5	Other personnel compensation	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
11.5	USDH			0			0			0			0			0
11.5	FNDH			0			0			0			0			0
	Subtotal OC 11.5	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
11.8	Special personal services payments	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
11.8	USPSC Salaries	100		100	105		105	105		105	110		110	110		110
11.8	FN PSC Salaries	230		230	245		245	245		245	250		250	250		250
11.8	IPA/Details-In/PASAs/RSSAs Salaries			0			0			0			0			0
	Subtotal OC 11.8	330	0	330	350	0	350	350	0	350	360	0	360	360	0	360
12.1	Personnel benefits	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
12.1	USDH benefits	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
12.1	Educational Allowances	24		24	21		21	42		42	42		42	42		42
12.1	Cost of Living Allowances	4		4	6		6	6		6	6		6	6		6
12.1	Home Service Transfer Allowances			0			0			0			0			0
12.1	Quarters Allowances			0			0			0			0			0
12.1	Other Misc. USDH Benefits			0			0			0			0			0
12.1	FNDH Benefits	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
12.1	Payments to the FSN Separation Fund - FNDH			0			0			0			0			0
12.1	Other FNDH Benefits			0			0			0			0			0
12.1	US PSC Benefits			0			0			0			0			0
12.1	FN PSC Benefits	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
12.1	Payments to the FSN Separation Fund - FN PSC			0			0			0			0			0
12.1	Other FN PSC Benefits	1.2		1.2	1.5		1.5	1.5		1.5	1.5		1.5	1.5		1.5
12.1	IPA/Detail-In/PASA/RSSA Benefits			0			0			0			0			0
	Subtotal OC 12.1	29.2	0	29.2	28.5	0	28.5	49.5	0	49.5	49.5	0	49.5	49.5	0	49.5
13	Benefits for former personnel	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
13	FNDH	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
13	Severance Payments for FNDH			0			0			0			0			0
13	Other Benefits for Former Personnel - FNDH			0			0			0			0			0
13	FN PSCs	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
13	Severance Payments for FN PSCs			0			0			0			0			0
13	Other Benefits for Former Personnel - FN PSCs			0			0			0			0			0

Operating Expenses

Org. Title: USAID/CROATIA		Overseas Mission Budgets														
Org. No: 22160		FY 1998			FY 1999 Target			FY 1999 Request			FY 2000 Target			FY 2000 Request		
OC		Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total
Subtotal OC 13.0		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
21	Travel and transportation of persons	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
21	Training Travel	10		10	8.5		8.5	8.5		8.5	0		0	0		0
21	Mandatory/Statutory Travel	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
21	Post Assignment Travel - to field			0			0	8		8			0			0
21	Assignment to Washington Travel			0			0			0			0			0
21	Home Leave Travel			0	12		12	12		12	12		12	12		12
21	R & R Travel	1.3		1.3	3		3	7		7			0			0
21	Education Travel			0			0			0			0			0
21	Evacuation Travel			0			0			0			0			0
21	Retirement Travel			0			0			0			0			0
21	Pre-Employment Invitational Travel			0			0			0			0			0
21	Other Mandatory/Statutory Travel			0			0			0			0			0
21	Operational Travel	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
21	Site Visits - Headquarters Personnel	10		10			0			0			0			0
21	Site Visits - Mission Personnel	30		30	35		35	45		45	40		40	40		40
21	Conferences/Seminars/Meetings/Retreats	35		35	27		27	33		33	30		30	30		30
21	Assessment Travel			0			0			0			0			0
21	Impact Evaluation Travel			0			0			0			0			0
21	Disaster Travel (to respond to specific disasters)			0			0			0			0			0
21	Recruitment Travel			0			0			0			0			0
21	Other Operational Travel	25		25	26		26	26		26	20		20	20		20
Subtotal OC 21.0		111.3	0	111.3	111.5	0	111.5	139.5	0	139.5	102	0	102	102	0	102
22	Transportation of things	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
22	Post assignment freight			0	0		0	27		27			0			0
22	Home Leave Freight			0	15		15	3		3	3		3	3		3
22	Retirement Freight			0			0			0			0			0
22	Transportation/Freight for Office Furniture/Equip.	2		2	3		3	5		5			0			0
22	Transportation/Freight for Res. Furniture/Equip.	2		2	1		1	2		2			0			0
Subtotal OC 22.0		4	0	4	19	0	19	37	0	37	3	0	3	3	0	3
23.2	Rental payments to others	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
23.2	Rental Payments to Others - Office Space	100		100	110		110	110		110	112		112	112		112
23.2	Rental Payments to Others - Warehouse Space	30		30	33		33	33		33	33		33	33		33
23.2	Rental Payments to Others - Residences	100		100	120		120	165		165	165		165	165		165
Subtotal OC 23.2		230	0	230	263	0	263	308	0	308	310	0	310	310	0	310
23.3	Communications, utilities, and miscellaneous charge	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
23.3	Office Utilities	11		11	13		13	13		13	13		13	13		13
23.3	Residential Utilities	14		14	16		16	22		22	22		22	22		22
23.3	Telephone Costs	55		55	57		57	58		58	55		55	55		55
23.3	ADP Software Leases			0			0			0			0			0

Operating Expenses

Org. Title: USAID/CROATIA		Overseas Mission Budgets														
Org. No:	22160	FY 1998			FY 1999 Target			FY 1999 Request			FY 2000 Target			FY 2000 Request		
OC		Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total
23.3	ADP Hardware Lease			0			0			0			0			0
23.3	Commercial Time Sharing			0			0			0			0			0
23.3	Postal Fees (Other than APO Mail)			0			0			0			0			0
23.3	Other Mail Service Costs	1		1	1.5		1.5	1.5		1.5	2		2	2		2
23.3	Courier Services	6		6	7		7	7		7	2		2	2		2
	Subtotal OC 23.3	87	0	87	94.5	0	94.5	101.5	0	101.5	94	0	94	94	0	94
24	Printing and Reproduction	1		1	1		1	1		1	1		1	1		1
	Subtotal OC 24.0	1	0	1	1	0	1	1	0	1	1	0	1	1	0	1
25.1	Advisory and assistance services	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.1	Studies, Analyses, & Evaluations			0			0			0			0			0
25.1	Management & Professional Support Services			0			0			0			0			0
25.1	Engineering & Technical Services			0			0			0			0			0
	Subtotal OC 25.1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
25.2	Other services	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.2	Office Security Guards			0			0			0			0			0
25.2	Residential Security Guard Services			0			0			0			0			0
25.2	Official Residential Expenses			0			0			0			0			0
25.2	Representation Allowances	1.5		1.5	1.5		1.5	1.5		1.5	1.5		1.5	1.5		1.5
25.2	Non-Federal Audits			0			0			0			0			0
25.2	Grievances/Investigations			0			0			0			0			0
25.2	Insurance and Vehicle Registration Fees	3		3	4		4	4		4	4		4	4		4
25.2	Vehicle Rental			0			0			0			0			0
25.2	Manpower Contracts			0			0			0			0			0
25.2	Records Declassification & Other Records Services			0			0			0			0			0
25.2	Recruiting activities			0			0			0			0			0
25.2	Penalty Interest Payments			0			0			0			0			0
25.2	Other Miscellaneous Services	20		20	20		20	20		20	15		15	15		15
25.2	Staff training contracts			0			0			0			0			0
25.2	ADP related contracts			0			0			0			0			0
	Subtotal OC 25.2	24.5	0	24.5	25.5	0	25.5	25.5	0	25.5	20.5	0	20.5	20.5	0	20.5
25.3	Purchase of goods and services from Government ac	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.3	ICASS			0			0			0			0			0
25.3	All Other Services from Other Gov't. accounts			0			0			0			0			0
	Subtotal OC 25.3	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
25.4	Operation and maintenance of facilities	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.4	Office building Maintenance	8		8	5		5	5		5	5		5	5		5
25.4	Residential Building Maintenance	11		11	12		12	12		12	12		12	12		12
	Subtotal OC 25.4	19	0	19	17	0	17	17	0	17	17	0	17	17	0	17

Operating Expenses

Org. Title: USAID/CROATIA Org. No: 22160 OC		Overseas Mission Budgets														
		FY 1998			FY 1999 Target			FY 1999 Request			FY 2000 Target			FY 2000 Request		
		Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total	Dollars	TF	Total
25.7	Operation/maintenance of equipment & storage of goods	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
25.7	ADP and telephone operation and maintenance costs	3		3	2		2	2		2	3		3	3		3
25.7	Storage Services			0			0			0			0			0
25.7	Office Furniture/Equip. Repair and Maintenance	6		6	5		5	5		5	5		5	5		5
25.7	Vehicle Repair and Maintenance	22		22	21		21	21		21	21		21	21		21
25.7	Residential Furniture/Equip. Repair and Maintenance	6		6	4		4	4		4	5		5	5		5
	Subtotal OC 25.7	37	0	37	32	0	32	32	0	32	34	0	34	34	0	34
25.8	Subsistence and support of persons (by contract or Gov't.)			0			0			0			0			0
	Subtotal OC 25.8	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
26	Supplies and materials	15		15	17		17	17		17	10		10	10		10
	Subtotal OC 26.0	15	0	15	17	0	17	17	0	17	10	0	10	10	0	10
31	Equipment	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
31	Purchase of Residential Furniture/Equip.			0	6		6	3		3			0			0
31	Purchase of Office Furniture/Equip.	9		9			0	35		35			0			0
31	Purchase of Vehicles	1		1	35		35	35		35			0			0
31	Purchase of Printing/Graphics Equipment	2		2			0			0			0			0
31	ADP Hardware purchases			0			0			0			0			0
	Subtotal OC 31.0	12	0	12	41	0	41	73	0	73	0	0	0	0	0	0
32	Lands and structures	Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line			Do not enter data on this line		
32	Purchase of Land & Buildings (& construction of bldgs.)			0			0			0			0			0
32	Purchase of fixed equipment for buildings			0			0			0			0			0
32	Building Renovations/Alterations - Office			0			0			0			0			0
32	Building Renovations/Alterations - Residential			0			0			0			0			0
	Subtotal OC 32.0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
42	Claims and indemnities			0			0			0			0			0
	Subtotal OC 42.0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL BUDGET		900	0	900	1000	0	1000	1150	0	1150	1000	0	1000	1000	0	1000
Dollars Used for Local Currency Purchases		_____			_____			_____			_____			_____		
Exchange Rate Used in Computations		_____			_____			_____			_____			_____		

TRUST FUNDS & FSN SEPARATION FUND

Orgno: _____

Org. Title: USAID/Croatia

Foreign National Voluntary Separation Account

Action	FY 97			FY 98			FY 99		
	OE	Program	Total	OE	Program	Total	OE	Program	Total
Deposits			0.0			0.0			0.0
Withdrawals			0.0			0.0			0.0

Unfunded Liability (if any)
at the end of each FY.

Local Currency Trust Funds - Regular (\$000s)

	FY 97	FY 98	FY 99
Balance Start of Year		0.0	0.0
Obligations			
Deposits			
Balance End of Year	0.0	0.0	0.0

Exchange Rate(s) Used

Trust Funds in Dollar Equivalents, not in Local Country Equivalents

Local Currency Trust Funds - Real Property (\$000s)

	FY 97	FY 98	FY 99
Balance Start of Year		0.0	0.0
Obligations			
Deposits			
Balance End of Year	0.0	0.0	0.0

Trust Funds in Dollar Equivalents, not in Local Country Equivalents